Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rs7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.30
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.50	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,452 Monday February 1 1988 D 8523 A

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2350

Looking beyond the Welfare State, Page 19

World News

Ford UK strike called off by unions

The strike at Ford UK due to begin today was called off late last night when unions agreed to recommend a peace formula to members after seven hours of talks with management.

The unions' chief negotiator Mr Mick Murphy said the strike was deferred pending a ballot on Wednesday on an agreement "far and above anything negotiated anywhere in UK for many a year". The deal will give some workers a pay rise of £50 ($89) a week over three years.Page 20

Waldheim faces fresh allegation

West German magazine Der Spiegel today publishes what it claims to be an authentic document which is alleged to show that President Kurt Waldheim of Austria was involved in the deportation of thousands of Yugoslav partisans to the concentration camps in 1942. Page 20

British merger vote

Britain's Social Democratic Party voted 273 to 28 to merge with the fellow middle-ground Liberal Party. Page 20

Middle East talks

Egyptian President Hosni Mubarak and King Hussein of Jordan flew to Paris and Rome respectively with plans to discuss Middle East peace proposals with European leaders.

Indian rebels kill 31

Tribal rebels killed 31 people ahead of elections in India's remote northeastern state of Tripura. Page 2

Meese accused

US Attorney General Ed Meese knew of a plan to bribe a top Israeli official in connection with a $1bn Iraqi pipeline project and did nothing about it, according to newspaper reports in Washington. Page 2

Gdansk march

Several thousand Solidarity supporters marched through Gdansk, as Lech Walesa and other leaders of the outlawed trade union demanded the withdrawal of price rises announced by the government. Background, Page 20

Iraq attacks ships

Iraq said its jets attacked two ships near the Iranian coast and a Panamanian-registered cargo vessel was abandoned and on fire 60 miles north of Bahrain. Page 2

Soviet plant protest

Residents in the Soviet city of Kazan held protest meetings and marches, forcing authorities to reconsider a plan to build a chemical factory in the area.

Ecuador poll

Troops guarded polling stations for Ecuador's presidential elections where three candidates lead the field against the pro-US incumbent.

Sihanouk plea

A Cambodian guerrilla group urged Prince Norodom Sihanouk to reconsider his resignation as head of resistance coalition fighting the Vietnamese in Cambodia. Background, Page 3

Spain's ETA split

Spain is divided over whether to accept an offer by the Basque separatist group ETA for a ceasefire in return for negotiations. A survey found 42 per cent in favour but 49 per cent against.

Bukharin published

A Soviet Communist Party journal published a speech criticising Stalin by Bolshevik revolutionary Nikolai Bukharin 50 years after his disgrace and execution.

Libya denies IRA link

Libya denied it was involved with a huge Irish Republican Army arms cache found last week on a deserted beach in Ireland.

Business Summary

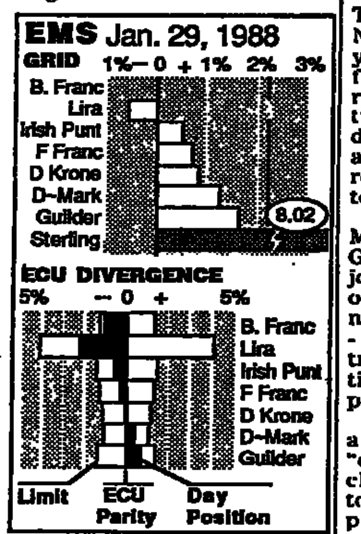
EC and US near deadlock on Airbus

AIRBUS: US-EC attempts to resolve a dispute over government subsidies to the European aircraft consortium are near deadlock after hardening of the US position in Geneva talks. Boeing and McDonnell Douglas of the US are accusing Airbus of unfair trading. Page 20

McDONNELL Douglas, US aerospace and defence manufacturer, shrugged off a decline in combat aircraft sales to boost 1987 earnings to $313m from $277.5m in 1986. Page 23

EUROPEAN Monetary System: The lira lost ground against its EMS partners last week. The Bank of Italy sold small amounts of D-Marks at the Milan fixing in an attempt to restore confidence which had been dented by Government difficulties in steering its budget through Parliament.

Other currencies showed little overall change. The Belgian Franc, although the weakest currency, was placed comfortably enough to allow the Belgian central bank to reduce its discount rate to 6¾ per cent from 7 per cent. Currencies, Page 34



The chart shows the two constraints on European Monetary system exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (Ecu), itself a basket of European currencies.

BRUSSELS is awaiting anxiously the Belgian Banking Commission's ruling this week on whether Mr Carlo De Benedetti, the Italian businessman who holds an 18.6 per cent stake in Société Générale de Belgique, can proceed with a partial offer for the remainder. Feature, Page 18

PETROFINA, Belgian oil company, suffered a fall in 1987 profits to BFr17.54bn ($500.4m) from the previous record BFr18.4bn because of renewed price competition in downstream refining and lower natural gas prices. Page 21

NORDSTJERNAN, Sweden's largest privately-owned company, is bidding about SKr2.2bn ($365.3m) to take full control of ABV, the country's second largest construction group. Page 23

FERRUZZI, Italian agri-industrial group, is to reorganise its subsidiaries in a plan involving mergers, the transfer of assets and share offers. Page 23

AMOCO Canada's C$5.5bn (US$4.3bn) acquisition of Dome Petroleum looks closer after a ruling by a Calgary judge that Dome preferred shareholders could not veto the deal. Page 23

SPAIN and Argentina sign a treaty today which will result in $3bn (£1.7bn) Spanish investment in Argentina over the next four years. Page 2

BRAZIL and its leading creditor banks are expected this week to agree a deal that will end the deadlock caused by the country's failure to keep up interest payments this year. Page 2

CITICORP, the US bank, today offers in London foreign exchange trading facilities between midnight and the start of normal trading hours. Page 7

Fresh violence hits Israeli hopes of breathing space

BY ANDREW WHITLEY IN JERUSALEM

A FRESH WAVE of violence in the Israeli-occupied territories over the weekend has dashed government hopes of a breathing space to pursue new diplomatic moves under discussion in Jerusalem and Washington.

By the army's count, at least 12 Palestinians suffered bullet wounds when troops used live ammunition to break up demonstrations in Gaza and parts of the West Bank.

Doctors at the Ittihad hospital in Nablus, however, reported that 15 people were admitted on Saturday with bullet wounds, and a further three were being treated there yesterday.

The shootings brought to an abrupt close a two-week period marked by a reliance by the security forces on severe beatings rather than live ammunition.

Last night, much of the centre of Nablus – the largest town in the West Bank – was under curfew after three days of confrontations between large gangs of masked youths and troops.

Curfews were also reimposed on two adjoining refugee camps, Balata and Askar, and on the Jalazoun camp near Ramallah. The renewed disturbances erupted as the Cabinet met in Jerusalem to discuss new ideas on Palestinian self-rule proposed by the US in separate messages to Israel and Jordan.

Mr Philip Habib, the veteran US special envoy, personally briefed King Hussein of Jordan on the proposals, said to concentrate on achieving progress towards an interim solution for the occupied territories prior to a formal international conference.

In recent days the Prime Minister, Mr Yitzhak Shamir, has spoken of granting the West Bank and Gaza Strip a greater degree of local autonomy than had been envisaged under the 1978 Camp David agreements.

The introduction of Jordanian police, for example, is being mentioned as a possible symbol of change for the occupied territories. Other key elements in the US plan are believed to be a reduction in the envisaged interim autonomy period for the territories from five years – the period specified at Camp David – to four; and an early start to discussions on their "final status".

For once, both Labour and Likud were at one during the Cabinet meeting in responding positively to the latest US moves, welcoming the signs of a greater readiness by the Reagan Administration to become involved in the deadlocked "peace process".

Mr Moshe Shahal, a senior Labour Alignment minister, said the coalition Government felt there was "a positive attitude" by Washington to try and find a political solution for the occupied territories.

Calming Labour fears of being excluded from the evolving diplomatic drive, Mr Shamir promised a full Cabinet debate.

While the Gaza Strip, the heart of the unrest during its first six weeks, was relatively quiet over the weekend, Nablus has now exploded

Right: Israeli troops arrest a youth after stone-throwing in Ramallah at the weekend

Turkey and Greece pledge joint action to settle differences

BY WILLIAM DULLFORCE IN DAVOS

TURKEY and Greece, the two Nato nations which only last year came close to military confrontation over oil exploration rights in the Aegean, may have turned a page of history yesterday when their prime ministers agreed on concrete measures to resolve the countries' perennial tensions.

Mr Turgut Ozal of Turkey and Mr Andreas Papandreou of Greece agreed to establish two joint committees, one to explore opportunities for closer economic and cultural co-operation - including joint ventures, trade, tourism and communications - and another to define political "problem areas."

This will be established at ambassadorial level and "explore the possibilities of closing gaps and moving towards lasting solutions." Its progress will be regularly reviewed by the two premiers.

A major surprise to emerge from the two leaders' 3½-hour talks at the Swiss ski resort concerned their deep divisions over the eastern Mediterranean island of Cyprus, the northern part of which Turkey occupied in 1974 after the junta ruling Greece at the time staged a military coup on the island.

The two leaders, according to Mr Papandreou, decided that the divided island "should not become a Greek-Turkish issue." He and Mr Ozal had agreed that Cyprus "belongs to the international arena and should be handled in the UN."

Mr Papandreou and Mr Ozal also agreed to meet at least once a year, to visit each other's countries and to set up a direct "hot-line" telephone link between themselves.

Their ambassadors in international organisations will be told to increase contacts and to co-operate more closely. Cross-frontier meetings between businessmen, journalists and military officials are to be encouraged.

After "frank and open discussions" during two meetings at the World Economic Forum Mr Papandreou and Mr Ozal read out a joint communique in which they promised to concentrate on establishing lasting peaceful relations

No outstanding problems had been resolved, Mr Papandreou said later. But they had been listed and it had been agreed to discuss them.

Reductions in military spending had been referred to in the talks, Mr Papandreou said. But no targets had been fixed and it was too early to discuss the issue.

Weighing up Aegean resources, Page 2

Greek Prime Minister Andreas Papandreou (left) and Turgut Ozal, Prime Minister of Turkey, shake hands in the town hall of Davos, Switzerland, where both were taking part in the World Economic Forum

Venezuela returns to capital markets

By Joseph Mann in Caracas and Alexander Nicoll in London

VENEZUELA plans to make a $100m Eurobond issue this week, returning to the international capital markets for the first time since the debt crisis struck Latin America in 1982.

It will become the first Latin American country to raise money on the international bond markets after rescheduling its debts. Colombia, which has not had to reschedule, last year made a $50m Eurobond issue. The only other comparable issue was a Y10bn ($78m) issue privately placed in Japan by the Mexican state oil company Pemex in 1985.

A return to creditworthiness and access to capital markets has been the goal of the containment strategy for handling the debt crisis through economic adjustment policies and debt reschedulings. That strategy, however, has been looking increasingly shaky as the economic state of many debtors has worsened and banks have taken large loss provisions.

Venezuela last year signed a restructuring agreement covering about $21bn of its $25.3bn foreign debt. Its relative strength compared with most other Latin American debtors is shown by the fact that it is the only one in the region to be repaying some principal under its rescheduling agreement.

The expected terms of Venezuela's issue, however, underline the cost of free access to the bond markets. On the five-year bonds, it will pay a fixed interest rate to be set some 3.5 percentage points above the market yield on five-year US

Continued on Page 20

International capital markets, Page 21

East Germans fill churches in rights protest

BY LESLIE COLITT IN EAST BERLIN

NORMALLY half-deserted East German Protestant churches were packed at the weekend with citizens who attended services protesting the planned sentencing in East Berlin today of three civil rights activists.

More than 2,000 East Berliners took part in "intercession" services on Saturday in East Berlin's Gethsemane Church, the largest attendance in memory. Another 1,500 people called for the release of 10 arrested civil rights campaigners on Friday evening at an East Berlin service. Thoughout East Germany yesterday, pastors called on congregations to support the dissenters. Bishop Gottfried Forck reminded the authorities in a sermon in East Berlin that freedom of expression was guaranteed in the constitution.

The demonstrations take place in churches partly because under East German law they are illegal elsewhere.

The present round of discontent, which some observers are beginning to see as a serious challenge to the Government of Mr Eric Honecker, began after a six-month sentence was imposed last week on Mrs Vera Wollenberger, a civil rights activist. She attempted to take part with more than 100 other young people in an official rally on January 17 commemorating the murder of the pre-war German Communist leaders, Rosa Luxemburg and Karl Liebknecht. The dissidents were taken into custody as they attempted to unfurl banners quoting Rosa Luxemburg.

Most of the detained were given exit permits to West Germany, but 10 of them who did not want to leave face prison sentences. A lawyer for the Protestant church said he would appeal the sentences to be delivered today.

Meanwhile the dissidents are wondering whether there will be further arrests. More meetings in churches are planned this week, with secret alternative sites being arranged should the authorities crack down.

The East Berlin trials have led to a sudden cooling off of relations between East and West Germany. West German actors, pop musicians and artists have cancelled scheduled appearances in East Germany.

The East German civil rights supporters say they were inspired by the political reforms launched by the Soviet leader, Mr Mikhail Gorbachev. But their calls for a reformation of the dogmatic East German system go far beyond what Mr Gorbachev has urged.

The orthodox East German leadership, much like that in Czechoslovakia, has warned that giving in to such pressures could lead to a chain of "uncontrollable events," which Mr Gorbachev would "deeply regret."

The leadership also claims that it introduced its own economic reforms before Mr Gorbachev came on the scene.

The public prosecutor in East Berlin last week called for eight-month prison sentences for Mr Andreas Kalk and Mr Burt Schlegel and seven months for Mr Till Boettcher.

Observer, Page 18; Poland's major test, Page 20

SEC report to rekindle debate on post-crash equity market

BY LIONEL BARBER IN WASHINGTON AND JANET BUSH IN NEW YORK

THE US political debate on last October's stock market crash and the need for market reform will gain fresh impetus this week when two Congressional committees begin public hearings and the Securities and Exchange Commission releases its long-awaited report.

The SEC inquiry is expected to produce a welter of detail about the events last October 19 when the Dow Jones industrial index plunged 508 points in a day. It is likely to draw attention to the lack of adequate inter-market overseeing and to raise doubts about some forms of computerised trading, though it is unclear if it will make formal recommendations on the lines of the report last month by the Brady Commission, the presidential task force set up to review the crash.

Tomorrow the SEC report is published and the Senate Banking committee will begin hearings. The SEC commissioner, Mr David Ruder, is expected to testify before the Senate Banking Committee on Wednesday. The first witnesses will be Mr Nicholas Brady, the Wall Street banker who headed President Reagan's commission on the crash, and Mr Alan Greenspan, chairman of the Federal Reserve.

Both are expected to testify about the Brady Commission's call for a centralised clearing system operating between Chicago and New York, and on the possible need for higher trading margins for the Chicago-based futures markets.

The Senate Agriculture Committee will also open a public inquiry which will concentrate on the Chicago-based Commodity Futures Trading Commission.

While Capitol Hill has been in recess, Wall Street securities firms and the New York Stock Exchange itself have been conducting feverish internal reviews in response to mounting criticism of their role in the October share price collapse.

Few constituents of the securities industry have escaped some form of attack and several have moved to head off what is perceived to be a very real danger of a shift in Congress towards stricter market controls and re-regulation.

The New York Stock Exchange announced earlier this month experimental curbs on the use of its electronic order system, widely used for computerised programme trading. Its board meets on Thursday and will review the impact of these limits on market volatility as well as proposals to formulate rules for trading halts on individual stocks at times of extreme fluctuations.

Shearson Lehman, E F Hutton and Merrill Lynch have decided to suspend programme trading for stock index arbitrage on their own accounts until further notice in response to a rising chorus of customer complaints about this activity. The use of portfolio insurance, a hedging strategy executed by computers according to predetermined formulas, has dwindled since last October.

There are now two distinct camps on Wall Street. One stands steadfastly against any more regulation and rejects criticism of programme trading and suggestions, notably in the report by the Brady Commission, that some form of trading limits should be instituted.

The other, which seems to be gaining the upper hand, believes market supervision should be re-examined and probably tightened up, not least in an effort to woo nervous investors back to the market.

CONTENTS

THE MONDAY PAGE INTERVIEW
Raymond Snoddy talks to Rupert Murdoch
Page 12

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Meese 'knew of plan to bribe top Israeli official'

BY LIONEL BARBER IN WASHINGTON

THE US Attorney General, Mr Edwin Meese, knew of a plan to bribe a top Israeli official in connection with a $1bn Iraqi pipeline project and did nothing about it, according to newspaper reports in Washington.

They said Mr Meese was sent a memo by a close friend and business associate who suggested buying off Israeli opposition to the project, now the subject of an investigation by a court-appointed special prosecutor.

The White House chief of staff Mr Howard Baker said yesterday President Reagan had full confidence in Mr Meese and had no plans for him to step aside during the special prosecutor's investigation. Lawyers for Mr Meese have denied any wrong-doing.

Mr Meese – the country's top law enforcement officer – has been dogged by controversy since he took office in 1985. His preliminary probe into the Iran-Contra arms scandal prompted harsh censure by a joint congressional inquiry last year; recently he has had to excuse himself from numerous cases because of potential conflict of interest arising from the special prosecutor's investigation.

The reports said Mr Meese was sent a memo by his former lawyer and long-time associate, Mr E. Bob Wallach, who was seeking US Government support for the Iraqi pipeline project in 1985. The memo, the existence of which was disclosed last Friday in the Los Angeles Times, apparently referred to a plan to bribe a senior Israeli official to help prevent Israeli attacks on the pipeline.

At the weekend, a spokesman for Mr Shimon Peres, Israel's Foreign Minister and then Prime Minister, denied that Mr Peres was offered or received a bribe. He confirmed, however, that Israel – a long-time enemy of Iraq – had given assurances not to interfere with the proposed 540-mile pipeline.

According to detailed press reports in the New York Times and the Washington Post, Mr Meese knew about the bribery plan and took no action.

The 1977 Foreign Corrupt Practices Act generally prohibits companies and individuals from making payments to foreign officials to secure help in "obtaining or retaining business". The act makes the US Attorney General responsible for prosecution of American citizens engaged in such efforts.

The New York Times reported yesterday that Mr Meese played an "important and sustained role" in promoting the pipeline project which was to run close to the Israeli border and carry oil to Jordan's Red Sea port of Aqaba. It was never built.

A special prosecutor investigation of Mr Meese began last May, growing out of a separate inquiry into efforts by Mr Wallach and the US Attorney General to help a small New York engineering company, the Wedtech Corporation, win federal contracts.

Koch tries to put gilt back on the Golden Apple

New York city, post-collapse, is bracing itself for a tight budget, writes Janet Bush

GOD'S MIRACLE CITY – that is how Mr Ed Koch, New York's ebullient mayor, describes the town he has presided over for more than 10 years.

There are many who believe that the city desperately needs a miracle or two to see it through the shocking aftermath of the collapse on Wall Street last October. This has led to more than 14,000 jobs being shed in the financial industry on which the local economy heavily depends.

Activity had been slowing before the crash and some of the excesses characteristic of Wall Street in the last phases of the bull market in equities had started to unbalance the city economy.

Many firms were forced to move out of New York because of high business costs and taxes. Real estate prices had gone through the roof and employment growth in the boroughs had begun to collapse as jobs were being concentrated in Manhattan's service and financial industries.

Mr Koch responded swiftly to Wall Street's troubles in November when he announced a stop to all hiring in the public sector. No stranger to controversy, he looks set to assail some sacred cows when he presents his preliminary budget and four-year plan today.

On the table this year is a package of cuts and tax increases totalling about $500m. The mayor has warned that the city is due for lean times after five years of relative prosperity, and that no essential service will be spared.

All this comes at a very bad time – although New Yorkers would say there has never been a good time for austerity campaigns in such a problematic and demanding city.

Cases of tuberculosis, a disease almost synonymous with poverty, have soared, debate rages about how the city can cope with the rising number of homeless, the AIDS epidemic continues unabated, and ugly and violent outbreaks of racial tension have added to the city's evident economic problems.

In order to present a balanced budget (which the law requires of the mayor), perhaps 2,000 new police jobs may have to be shelved. A further 1,300 jobs could be put at risk if the city legislature goes ahead with plans to raise pensions retroactively. Two fire brigade sections may have to be closed – one in the crime-torn South Bronx and one in Bedford-Stuyvesant, a poor, predominantly black, area of Brooklyn. The mayor's budget office argues these are two areas where fire incidents have dropped dramatically over the past few years.

Even hard-pressed city schools – whose conditions were described as appalling by Governor Mario Cuomo of New York State – will not escape the new austerity campaign. More than $50m is expected to be cut from the Board of Education budget this year. However, Mr Paul Dickstein, the city's Budget Director, said education would escape the worst of the cuts.

Studies of the city's prospects over the next year make gloomy reading. At the pessimistic end is Mr Matthew Drennan, an economist at New York University, who sees the crash leading to the loss of 71,000 jobs by the end of this year.

Ed Koch: persuasive

Mr Dickstein, though, forecasts 39,000 job losses this year – 24,000 from the securities industry and the bulk of the rest from services. This suggests that the axe taken to Wall Street employment to date could represent only half of the redundancies to come.

He believes the deterioration in New York's prospects is tied to an expected deceleration in national growth, but that the city will be hit more than other areas because of its dependence on the financial and services sectors.

From 1977 through 1986, nearly 148,000 jobs were lost in manufacturing industry while there were gains of more than 294,000 in the services sector and 112,000 jobs in finance.

A separate report by Ms Elinor Bachrach, the city's independently elected Special Deputy Comptroller, is less pessimistic than Mr Koch's budget team. She predicts the loss of 10,000 jobs in 1988.

"In our view, the city is not likely to experience a severe economic recession in the wake of the stock market's crash, but leaner times clearly lie ahead". The state comptroller's office warned last May that the city's dependence on Manhattan's service and financial industries would leave it vulnerable. "It appears that our warning has been borne out," she said.

Ms Bachrach's office was set up in the mid-1970s, after New York had narrowly escaped bankruptcy, to oversee tighter control of the city's finances. She sees fewer similarities between the severity of the 1970s crisis and problems now on the horizon. "No system absolutely ensures against economic downturns but the reforms put in place in the mid 1970s at least require the mayor to see the warning signs and act on them".

Although no-one doubts that New York will have to tighten its belt, some see Mr Koch's harsh pre-budget rhetoric as tactics, in part. There is a history of the preliminary budget as more pessimistic than the final version, due to be presented in April (much as the British budget in recent years has seemed to turn up pleasant suprises after months of gloomy pronouncements from the Treasury).

Mr Koch, for all his *sturm and drang*, sees some potential bright spots – notably New York's perennial attraction for foreign visitors, who bring substantial sums with them.

This master salesman is enthusiastically plotting his campaign. "Everbody wants to come here and they will get a tremendous exchange rate. We should be running ads in foreign cities, comparing the cost of a Burberry coat in Tokyo and the cost of a Burberry in New York – that would bring them in. Any private company who pays for the ads can use my picture and I may even say some nice things about them in public," the mayor said.

White House intensifies push for new Contra aid

BY LIONEL BARBER

REAGAN administration officials yesterday stepped up their pressure on Congress to approve $36m in aid for the Nicaraguan Contra rebels, but a senior Democratic Congressman predicted a defeat in the House of Representatives.

Mr Thomas Foley of Washington DC, majority leader in the House, said he was confident that President Reagan's package would fail in the House, making a Senate vote redundant. Other Democrats were less certain and said the showdown vote depended on about 25 "swing" votes.

Mr Reagan, seeking to make Contra aid an issue in the presidential election campaign this year, said in his weekly radio address that the Democrats would preside over the "communisation" of Central America if they were to cut off Contra aid. He is to make a televised appeal to the nation on Tuesday night, on the eve of the House vote.

Mr George Shultz, Secretary of State, said on television he was dismayed Congress was considering withdrawal of support for the Contras at a critical point in the Central American peace negotiations.

The Reagan package calls for $32.6m of humanitarian aid for the rebels and about $3.6m of lethal aid. The military aid would held in escrow until March 31 pending an assessment of Nicaraguan government compliance with the peace plan, including a ceasefire with the Contras.

The Democrats are drawing up a rival package made up only of humanitarian aid such as food and medicine, in order to counter criticism that they have abandoned the rebels.

● Mr Shultz offered more upbeat comments yesterday about US diplomatic efforts to ease tensions in the Israeli-occupied territories of Gaza and the West Bank. He said the US had held "very active" discussions with Israel, Jordan and Egypt and had made contacts with Palestinian reprsentatives.

Spain invests $3bn in relations with Argentina

BY TOM BURNS IN MADRID

PRESIDENT Raul Alfonsin of Argentina and Prime Minister Felipe Gonzalez of Spain will today sign a treaty of friendship and co-operation in Madrid which will lead to $3bn's worth of Spanish investments in Argentina over the next four years.

The treaty is the first of its kind between Spain and a Latin American nation and it serves to inject political and economic content into the rhetoric that often surrounds the *hispanidad* concept of privileged relations between the mother country and its one-time colonies.

For the embattled President Alfonsin, whose trip to Spain was threatened up to the 11th hour by military tensions at home, the Israeli border and carry welcome in Madrid over the weekend from Mr Gonzalez and King Juan Carlos came as a satisfying morale and political boost.

A close personal friend of the Spanish premier and a frequent visitor to Madrid, President Alfonsin is arguably the most popular foreign head of state in Spain.

Peruvian right wing forms united front

BY BARBARA DURR IN LIMA

PERU'S THREE right-wing political forces joined together in a united front called Frente Democratico, or Fredemo. The front intends to field candidates for 1989 municipal and 1990 presidential elections.

The loosely organised Freedom Movement, born as a protest against President Alan Garcia's bank nationalisation and led by Mr Mario Vargas Llosa, the internationally acclaimed novelist, joined the two traditional rivals on the right, the Popular Christian Party (PPC) and the Popular Action Party (AP).

Mr Vargas Llosa appears to be Fredemo's most likely presidential candidate for 1990. The leader of the AP, Mr Fernando Belaunde Terry, who was twice president, said he would not stand in 1990. Mr Luis Bedoya Reyes, PPC leader, is 68 and an unlikely candidate.

Brazil deal expected with banks

By Alexander Nicoll, Euromarkets Editor

BRAZIL and its leading creditor banks are expected this week to forge a deal which will end the deadlock created by the country's failure to keep interest payments current from the beginning of January.

Meanwhile, Mexico's creditor banks have been asked to provide by Friday a waiver of existing loan clauses which will allow its innovative bond-for-loan exchange offer to proceed.

Mr Fernando Milliet, Brazil's central bank president, has been negotiating in New York for a week with the bank advisory committee headed by Citibank. The talks were supposed to be on terms of a medium-term loan and rescheduling agreement but have been muddied by the dispute over 1988 interest payments.

Banks and US regulators thought that Brazil had, as part of an interim deal struck late last year, undertaken to pay interest as it came due from January 1. Brazil says it will only do so if financing for two-thirds of the interest is promised by banks.

The shape of the deal likely to emerge this week is unclear, though further negotiations would seem impossible unless Brazil gave an undertaking on 1988 interest payments. The interim deal was specifically structured to limit Brazil's arrears and thus avoid a downgrading by US regulators to "value-impaired" status, which would force new losses on US banks.

Mexico's director of public credit, Mr Angel Gurria, flew from London to Bahrain at the weekend in his search for bankers' support for his bond offer. After presenting it to Swiss and Italian bankers in Zurich, he will return to New York.

Banks are expected to provide the waiver but their degree of participation in the auction on February 19 remains doubtful.

● Fears of worsening stagflation in the Brazilian economy rose at the weekend with official confirmation that inflation in January reached 16.51 per cent, writes Ivo Dawnay in Rio de Janeiro. It was the worst monthly figure since June last year when prices rose a record 26 per cent, forcing the introduction of a compulsory price freeze.

Earlier last month, some government economists had expressed hopes that a sharp fall in consumer demand would put a break on price rises after a 14 per cent inflation rate in December.

Later estimates confirmed that the rate of price rises was increasing, leading to new speculation that the government of President Jose Sarney might be forced to introduce its third price freeze in two years.

Bid to boost West European trade ties

MINISTERS from 18 West European nations which account for almost half the world's trade meet tomorrow in a bid to boost co-operation and prevent new trade barriers being created between them, Reuter reports from Brussels.

The meeting in Brussels will bring together for the first time trade ministers from the 12-nation European Community and the six-member European Free Trade Association (EFTA) – Switzerland, Austria, Sweden, Norway, Finland and Iceland.

Their talks will focus on fears that the EC's plan to weld its separate economies into a unified market by 1992 would pose new obstacles to the massive trade exchanges between the two groups unless they strengthen co-operation.

EFTA countries, despite enjoying privileged trade relations with the EC, see the market plan as a major challenge.

Concerned that changes in legal rules and technical regulations within the Community could disrupt their crucial exports, EFTA members are eager to be involved in the process.

"There is a fear of being marginalised and that's why we want to talk," said one diplomat from an EFTA country.

EC and EFTA diplomats said the importance of Tuesday's meeting was that it would give new political impetus to co-operation.

"We want to try to clearly establish guidelines for our future work," said EC External Relations Commissioner Mr Willy de Clercq, who will also take part in the meeting.

Most of the richer EC states, for which EFTA nations are the biggest export customers, share EFTA's concerns and want to keep trade flowing freely.

"The sheer size of the EFTA market for EC exports makes the relationship an extremely important one," said one Community diplomat.

Tuesday's meeting was called by West Germany, the current EC president and a major exporter to EFTA.

The EC as a whole exports more to EFTA countries than to the US and Japan together, while EFTA members sell slightly more than half their exports to the Community.

Together the two groups form the world's largest free-trade zone, in which slightly less than 44 per cent of global trade is done.

In 1984, the two groups agreed to work towards creating what they called a European economic space. But since 1985 the EC has embarked on completing its own economic integration. It has made clear that EFTA countries cannot expect to reap the full benefits as long they are not in the bloc.

"We cannot and will not allow EFTA nations to achieve semi-membership through what is happening in the internal market," the diplomat said.

Diplomats said the EC stance reflected feeling that it would be difficult for the new and relatively poor EC members Spain and Portugal to compete within the unified EC economy if EFTA countries were also given full access to their markets.

The Community's attitude has sparked lively debate in EFTA countries, particularly Norway and Austria, about whether it would not be better for them to join the Community.

Sweden has also indicated it would be prepared to consider contributing to EC funds for helping poor states such as Spain and Portugal.

Genscher confirms Bonn farm policy line

BY TIM DICKSON IN BRUSSELS

MR Hans Dietrich Genscher, West Germany's Foreign Minister and President of the European Community's Council of Ministers, is expected to highlight today new evidence that Bonn's latest compromise proposals on farm policy reform will not cost the EC budget much more than those now favoured by the European Commission.

With just 10 days to go to the key emergency summit of EC heads of Government in Brussels – called in a last-ditch bid to sort out the EC's budgetary mess – Mr Genscher appears determined to keep up the pressure on Britain to soften its tough stand on the need for firm price restraint to curb the EC's food surpluses.

But as EC foreign ministers this morning begin their final preparatory work for next week's summit, the prospects for agreement on the whole package of EC financial reforms appear dim. Diplomats say that some progress has been achieved on several of the other outstanding issues – notably a new system for calculating the base level of agricultural expenditure and other aspects of budgetary management. However, on the central question of common agricultural policy (CAP) reform, consensus remains as elusive as ever.

The new figures to which Mr Genscher is expected to attach significance have been prepared by the Commission itself and demonstrate that, if the West German presidency's latest ideas for cereals and oilseeds were approved, savings of Ecu 342m (£238m) could be achieved this year and Ecu 950m could be shaved from the budget in 1989. By comparison, if changes recently called for by Mr Frans Andriessen, the EC's Agriculture Commissioner, were also adopted, the additional savings would only be Ecu 51m in 1988

Mr Genscher's enthusiasm for these statistics is likely to be tersely dismissed by Sir Geoffrey Howe, Britain's Foreign Secretary, who last week warned that the EC may be losing sight of the need for effective change in agricultural policy. British officials are known to be angry at German claims that their compromise would be an effective budget stabiliser and have produced their own figures. These show that, in the years 1988-90, there would have been a cumulative saving of Ecu 6.5bn (much of it coming in the last year), compared with cumulative savings under the German plan of Ecu 2.5bn.

Iraq attacks UN failure to put pressure on Iran

BY TONY WALKER IN KUWAIT

IRAQ yesterday claimed attacks on two ships near Iran's coast, amid reports that the crew of a Panamanian cargo vessel had been forced to abandon ship north of Bahrain.

The Iraqi air strikes coincided with hard-line political statements in Baghdad, critical of lack of progress towards ending the Gulf war.

Mr Taha Yassin Ramadan, Iraq's Deputy Prime Minister, accused the UN Security Council of weakness in its inability to persuade Iran to agree to a ceasefire. "It is a shame for the greatest world body to submit to extortion by the terrorist regime in Iran," Mr Ramadan wrote in a newspaper of the ruling Ba'ath Party.

Italian police 'foil plot to kidnap public figure'

BY JOHN WYLES IN ROME

ITALIAN police appear to have foiled a terrorist plot to kidnap or assassinate a public figure on the tenth anniversary next month of the kidnapping of Mr Aldo Moro, the Christian Democrat leader who was murdered after 55 days in captivity.

The news was leaked by the man thought to have been the terrorists' first choice as target, Mr Ciriaco De Mita, leader of the Christian Democrats. His decision to make it public may not be unconnected with a debate as to whether some of the terrorist leaders of the 1970s should be considered for pardon.

Last week police arrested a known terrorist, Mr Antonino Fosso,

Nicholas Vafiades assesses the Greek-Turkish maritime dispute

Prospectors weigh up Aegean resources

BETTER Greek-Turkish relations, following the meeting yesterday of the two Prime Ministers, could open the way towards more intensive exploitation of the Aegean Sea's oil and mineral reserves.

The Canadian-controlled North Aegean Petroleum Company has drawn about 70m barrels of oil from an undersea field just off the northern Greek island of Thasos. Current output is 25,000 barrels a day (b/d), a tenth of Greece's oil needs.

Further drilling has been blocked by disputes over territorial waters and continental shelves. The shelf dispute has twice brought the countries to the brink of war – in 1976 and last March.

The 1987 crisis occurred when NAPC, which was in dispute with the Greek Government, said it would drill at a site 10 miles off the coast, which experts say could yield 50,000 b/d. Turkey said this violated a 1976 accord that restrained both countries from provocative action and sent a ship to prospect for crude in disputed waters. The row was defused after both countries promised no oil activity in controversial areas.

Greece says it reserves the right to extend its territorial waters from six miles to 12. Turkey adamantly rejects this. Athens says its islands have their own respective continental shelves, while Ankara has argued that some Greek islands are extensions of Turkey's continental shelf.

Apart from oil, the Aegean is well endowed with industrial minerals, geothermal liquids and marble deposits. Nearly all Greece's industrial mineral production comes from the Aegean.

Milos island yields 200,000 tonnes of perlite, 300,000 tonnes of bentonite and 50,000 tonnes of kaoline a year. It has proven reserves of 200m tonnes of pozzolana – a raw material for cement.

Other resources include pumice and natural pozzolana on Thira, kaoline and zeolite on Kimolos, iron ores on Serifos, perlite on Kos, industrial minerals on Nisyros, baryte on Mykonos, magnesite ores on Lesbos, granite on Ikaria and gypsum on Kasos.

"Although the Aegean is not the Greek Eldorado, its mineral wealth can maintain and create jobs for people in non-tourist areas," says Prof Elias Mariolakos, head of the Greek Institute of Geological and Mineral Exploration.

70 die in two Indian states

By John Elliott in New Delhi

MORE THAN 70 people were killed in terrorist attacks by extremists over the weekend in two of India's sensitive border states – Tripura and Punjab – and president's rule was imposed in the southern state of Tamil Nadu after a political crisis in the elected state assembly.

The events are unconnected but they illustrated India's turbulent and often violent state politics and the problems in relations between the central Congress I government of Mr Rajiv Gandhi and individual states.

On Saturday a long-awaited report by the Sakaria Commission on centre-state relations was published and recommended increased financial powers for states and greater consulation. It proposed the creation of a new inter-state council and a strengthened National Development Council.

Mr Gandhi's governing party has never been willing to increase the power of the states.

About 60 of the weeekend's deaths occurred in Tripura, which is ruled by a Communist-led Left Front state government and borders Bangladesh and Burma in the remote north east of India.

Tribal rebels have started a wave of killings in advance of tomorrow's state elections and Mr Gandhi last week declared the whole of the small state a disturbed area and rushed in army and paramilitary forces.

The insurgenst have been acting for several years against Bangladeshis settling in their homeland. Mr Gandhi is accused of using their activities as an excuse to bring in the security forces to help Congress I defeat the Communist-led Left Front.

The other deaths occurred in the northern state of the Punjab where 200 people were killed in January during a sudden escalation of terrorist attacks by Sikh extremists.

President's rule was imposed in Tamil Nadu on Saturday after violent scenes and widespread political corruption brought unprecedented chaos to the state's assembly last Thursday. The problems follow the death in December of Mr M.G.R. Ramachandran, chief minister and a former film star. His widow succeded him, but failed to prove her majority.

Fresh elections are to be held soon and Mr Gandhi's party is being accused of engineering the crisis in order to give it a chance to win power in a significant state of southern India where it has no other power base.

Rebel Afghan plan for government

AFGHAN rebel leaders announced plans yesterday to set up a government to take power after Soviet troops withdrew, Reuter reports from Islamabad. The main seven-party alliance said it would be led by the Mujahideen guerrillas but would include refugees and "Moslems" from inside Afghanistan. The announcement came shortly after the departure from Pakistan of UN mediator Mr Diego Cordovez.

Finn President's power dampens election interest

BY SARA WEBB IN HELSINKI

ONE MIGHT conclude from the streets of Helsinki that only a naked woman would induce a Finn to vote.

At the general election last spring, posters of a nude (with her hands strategically placed) urged the Finns to vote and not be caught with their trousers down. The same woman – in poster form and now clearly pregnant – has recently been encouraging the Finns to cast their votes in the presidential election with the legend "Presidents don't grow on trees".

For the first time, the Finns are casting a direct vote for President, as well as a vote for the electoral college whose task it will be to select the President if none of the candidates wins more than 50 per cent of the votes.

The worry is that the turnout at the polls yesterday and today will be fairly low, especially among young people, as few doubt that the present incumbent, Mr Mauno Koivisto, will win, either by direct vote or from the college. The new voting system, however, is an indication of the changes taking place in Finnish politics.

In the next presidential election in 1994, it is widely expected that the electoral college system will be abandoned, leaving it entirely up to the voters to choose. There is also a clear trend towards removing some of the President's considerable powers – a move which Mr Koivisto, who sometimes appears uncomfortable about using these powers – is clearly in favour.

Mr Koivisto has been President for the last six years and is widely expected to remain so for the next six (the latest opinion poll at the weekend gave him 52 per cent of the votes, while his nearest rival – Prime Minister Harri Holkeri – had 17 per cent).

In Finland, the president traditionally has the power to dissolve parliament, call elections and form a new government. He also holds special responsibility for foreign policy.

Mr Koivisto has said that the only way to liven up political discussion in parliament is by reducing presidential powers and strengthening the position of the Prime Minister. He believes that the presidential mandate should be reduced to two terms – or no more than 12 years – in what is clearly a reaction to the long period in power of his predecessor, Mr Urho Kekkonen, who remained at the helm of Finnish politics for 25 years.

Mr Koivisto is a firm believer in allowing the Prime Minister to run the country and has publicly criticised the way that Mr Kekkonen used his power to dissolve parliament in the 1970s.

"Discussion in parliament is only a formality," he said as he rounded off his election campaign at the weekend.

The intended changes have been greeted with enthusiasm. "The Finnish President is historically and constitutionally very strong – it means that the man in office is very difficult to beat in an election. Limiting the terms to two will provide a very healthy change," says Mr Max Jakobson, one of Finland's leading commentators.

As well as limits to the right to dissolve parliament, the process is also expected to lead to limitations on the President's power to appoint and dismiss ministers.

Cuban present at Angola talks

A CUBAN has for the first time taken part in negotiations between Angola and the US, raising hopes of a settlement in the western-backed rebel war in Angola and of independence in Namibia, writes Victor Mallet in Lusaka.

The Cuban accompanied an Angolan team which met Mr Chester Crocker, US Assistant Secretary of State for African Affairs, in the Angolan capital Luanda. The US seeks a Cuban troop withdrawal from Angola as a condition for independence of Namibia, controlled by South Africa.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.O. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

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Sihanouk move leaves Peking embarrassed

BY ROBERT THOMSON IN PEKING

THE RESIGNATION of the unpredictable Prince Norodom Sihanouk as leader of the Kampuchean Resistance Coalition has clouded the opposition's future and threatened peace talks with the present Kampuchean regime.

In a quirky, hand-written statement, the Prince, who has regularly threatened to resign, said his decision is "definitive, irrevocable and irreversible" and had been prompted by the "unceasing hostility" shown towards him by another coalition member, Son Sann, the nationalist leader.

The resignation, announced here on Saturday, is an embarrassment to Chinese leaders, who helped fashion the unlikely tripartite coalition in 1982 and are probably confident of convincing the Prince to reverse a decision that comes at a time of unusual movement on the Kampuchean problem.

Prince Sihanouk appointed his son, Ranariddh, as the new leader, and said his army would continue to fight as a member of the coalition, though the three member armies, including Khmer Rouge forces advised by the infamous Pol Pot, have rarely been on good terms.

The Prince, aware of his reputation for unreliablity, wrote that his decision was made "after mature reflection and numerous sleepless nights".

Prince Sihanouk was particularly annoyed by Son Sann's reported statements that he had committed treason by holding talks with Hun Sen, the Premier of the Vietnamese-backed regime in Kampuchea. The Prince and Hun Sen have met twice in recent weeks, and had planned to meet again, despite the fears of his coalition partners and China that he had given the regime undue recognition.

However, China and the coalition need the Prince's international standing to be a credible alternative to the present government, as his presence has convinced numerous countries to put aside reservations about the presence of the Khmer Rouge, and his son would not carry the same diplomatic weight.

An Asian diplomat said the Prince was "crying wolf" in an attempt to win more support from China and his coalition colleagues for further talks with Hun Sen. In assessing the talks, the Chinese Foreign Ministry has said that the Prince can do as he likes, though official Chinese reports of previous meetings have drawn negative conclusions, while the Prince reckons that the negotiations have "a 50 per cent chance of success".

Sihanouk: unpredictable

In his statement, Prince Sihanouk, 64, explained that the meetings with Hun Sen are an attempt to end the "misfortune" and "humiliation" of Kampucheans and "to find an equitable solution to the tragic and bloody problem of Kampuchea".

The coalition members have long had an uneasy relationship, with Son Sann initially reluctant to join, and then the Prince regularly criticising the Khmer Rouge for attacking his troops and not those of Vietnam. But Peking, which has close links with the Prince and the Khmer Rouge, believes that the grouping is the only viable alternative to the Vietnamese-backed Heng Samrin regime in Phnom Penh.

Prince Sihanouk is expected to meet Zhao Ziyang, the Chinese Communist Party General-Secretary, soon and will be urged to remain as leader. In the past, the Prince has arrived in Peking adamant that he would not talk to his colleagues but, after coaxing by Chinese leaders, has agreed to meetings and to display camaraderie in public.

Lange in row over delay in tax reform

By Dai Hayward in Wellington

NEW ZEALAND's Prime Minister Mr David Lange faces a torrid Cabinet meeting today with many of his ministers angry at his decision on Thursday to postpone a radical tax reform and welfare package.

The package, announced on December 17 and due to come into effect on October 1, has been indefinitely delayed. It was to include a low single-figure personal and company tax rate.

The Prime Minister's announcement stunned the finance sector which feared the move signalled the abandonment of the economic reform programme masterminded by Mr Roger Douglas, the Finance Minister. Mr Douglas cancelled the remainder of a European tour and returned to Wellington.

Yesterday Mr Douglas tried to rebut suggestions he might resign. While admitting the Prime Minister's move did not have his agreement and that he personally favoured pressing ahead with the October 1 deadline, Mr Douglas tried to persuade a suspicious press conference that the issue had been blown out of perspective.

He stressed that there were no differences between him and the Prime Minister. It was, said Mr Douglas, simply a question of timing.

Mr Douglas said the delay was temporary. This would allow the welfare department more time to work out the details of how best to implement the Guaranteed Minimum Family Income Scheme which is a vital part of the package and to ensure as few people as possible are disadvantaged by the new tax structure.

Mr Douglas stressed that the Prime Minister and the Government were still firmly committed to "the principles" behind the December 17 statement.

Mr Douglas has the support of his colleagues. The Cabinet discussed the welfare department's request for more time to prepare the details but did not agree to Mr Lange making an announcement while Mr Douglas was overseas.

Issue which sank Nakasone has been revived by Takeshita, Carla Rapoport reports

Tokyo takes up arms again over tax reform

THE HOTTEST Japanese political issue of 1987 – tax reform – has already erupted in 1988.

Prime Minister Noboru Takeshita has vowed to the Japanese Diet that he would devote himself "body and soul" to achieving significant tax reforms this year. Considering what is at issue, however, the job may require more than the mere soul of a Prime Minister.

Last year, for example, former Prime Minister Yasuhiro Nakasone tumbled from power following his failure to shepherd his proposal for an indirect tax through the Diet. The opposition party, in an unprecented show of unity, brought the Japanese Diet to a halt over the issue last spring and forced Mr Nakasone to abandon the issue.

None the less, this year Mr Takeshita remains confident that he can succeed where Mr Nakasone failed.

The issues at stake are extremely important ones and not just for the Japanese. The most important proposal would be to cut personal and corporate tax in favour of a new broad-based sales tax. Such income tax cuts would stimulate Japan's economy further, helping to increase the country's purchases from abroad and boost direct overseas investments.

At the same time, Mr Takeshita aims to reform the country's land tax system, institute a capital gains tax, reduce inheritance tax and modify the highly protective taxes on imported spirits. These reforms and others, all long overdue, would unlock Japan's potential to live like the wealthy country it has become. Land would become affordable, houses could be bigger, Japan's high savings ratio could come down and the Japanese could start enjoying their wealth instead of just reading about it in the newspaper.

Nakasone: held hostage

"The present tax system is bad for the economy and bad for the individual," says Mr Mr Yosuke Kashiwagi, chairman of the Bank of Tokyo. "If Japan is to move forward, it surely must be changed. We can't have the rich farmers paying nothing and the poor businessman pay everything," he says.

The current ratio of direct taxation to indirect is about 80:20 in Japan. Mr Takeshita would like to even out that ratio but in a way which would reduce direct taxes more than it would increase indirect taxes. Mr Nakasone had been working on a revenue neutral tax reform package as his administration had been more firmly committed to overall fiscal austerity.

Already, ruling Liberal Democratic Party diet members are optimistic that Mr Takeshita can succeed despite Nr Nakasone's flop. "The allergy to an indirect tax has been weakened within the LDP and within the Japanese people," says Mr Shokei Arai, a LDP Diet member in the Nakasone faction and a member of the tax reform committee.

Mr Nakasone, according to Mr Arai, operated a kind of presidential prime ministership, distancing himself from the rank-and-file of his party. Mr Nakasone's brand of leadership also alienated Japan's weak but highly vocal opposition.

Mr Takeshita, however, is doing better within his own party to gain the necessary approval for the tax reform initiatives. As for the opposition, he is already working out a timetable that will reduce their nuisance value to the absolute minimum.

Takeshita: 'body and soul'

Last year, the opposition was able to hold Mr Nakasone hostage by blocking the passage of the 1987 budget until the sales tax proposal was dropped. This year, Mr Takeshita intends to roll out his tax package well after the fiscal 1988 budget discussions take place in late March.

According to aides in the Takeshita camp, the LDP will convene an extraordinary session in late June and hope to see the passage of the tax reform package in the autumn.

It is an ambitious programme, especially for the controversial sales, or value-added, tax. Last year, retailers said that the proposed tax was the fiscal equivalent of AIDS – a virus designed to kill off retail sales. This year, however, the head of the powerful Chain Store Association has already admitted that the issue of increasing indirect tax must be tackled.

Further, at least one important tax reform is already underway. This is the infamous Maruyu system for exempting small savers from taxation. As of April 1 this year, Maruyu will be scrapped and a new tax of 20 per cent will be imposed on savings deposits of Y3m (£13,260) and less. The system had long been attacked by Japan's critics as a way of encouraging savings, not spending, by the Japanese people.

Thus, it appears that the mood toward tax reform is softening. The debate this year promises to be a lively one, and a stiff challenge for the Takeshita administration. If the new Prime Minister can win this battle, he may also win himself some extra years at the head of his party.

Metal exchange sought for Japan

BY KENNETH GOODING, MINING CORRESPONDENT

PRESSURE is building for a Japanese Metal Exchange to be established, to compete with its equivalent in London.

It comes from Japan's aluminium producers, users and traders who claim they have been at a disadvantage, compared with European competitors, because of the lack of a local delivery point since they began to use the LME for aluminium trading three years ago.

The Japanese are among the world's main users of the metal. They also want an LME-linked aluminium warehouse as soon as possible.

Mr Christopher Green, chairman of the LME, and other officials are to go to Tokyo at the end of this week for discussions about these issues with Mr Chikashi Ishii, chairman of the Japan Aluminium Federation. A Japanese mission is likely to visit London in mid-February.

Mr Green said at the weekend: "We just want to be of help. We feel it would be good for the market as a whole, not just for Japan, if an aluminium warehouse were established in that country. We are not afraid of a JME and would be willing to help".

If an LME aluminium warehouse is to be established in Japan, a change of law would be needed because imports of all kinds now may be kept in bond only up to two years before duty has to be paid or the material shipped out.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION
(1980 = 100)

	Dec '87	Nov '87	Oct '87	Dec '86	% change over previous year
US	122.7	122.5	121.9	116.7	+5.1
Japan	129.1	125.2	126.6	122.6	+5.3
	Oct '87	Sept'87	Aug '87	Oct '86	
Italy	104.6	100.9	98.07	99.19	+5.4
Netherlands	107.7	104.6	105.8	106.7	+0.9
France	103.7	104.0	102.4	103.3	+0.3
UK	115.4	114.4	115.2	111.2	+3.7
W.Germany	106.8	106.4	106.5	107.9	-0.1

Source: (except Japan, US) Eurostat

Singapore may ease press curb

By Roger Matthews in Singapore

THE Singapore Government, which last month cut the circulation of the Far Eastern Economic Review from 9,000 copies a week to 500 for allegedly interfering in the country's domestic politics, appears willing to accept an offer from the Review to circulate copies without advertising.

The Review at first reacted to the restriction by saying it would not sell any copies in Singapore. The Government replied by introducing legislation allowing for 500 copies of the magazine to be photocopied and distributed, providing no profit was made from the operation. It said this underlined its commitment to the free flow of information.

Mr Yeo Ning Hong, the Minister of Communications and Information, last week repeated the Government's accusation that some foreign publications were seeking to boost their circulation and profits by printing inaccurate stories about events in Singapore.

By offering to circulate an advertisement-free edition of the magazine in Singapore, the Review said it was refuting the Government's accusation that it was principally interested in profit.

However, the careful wording of the official statement yesterday, in particular the use of the word "reproduction", may indicate that only photocopied, and not printed copies, of the magazine may be allowed to circulate.

The Asian Wall Street Journal and Asiaweek magazine have had their circulations similarly restricted.

US Farm Secretary due in Hong Kong

MR Richard Lyng, the US Agriculture Secretary, was due in Hong Kong yesterday in search of markets for farm products and allies for the American stance in global trade talks, Reuter reports from Washington. He will also visit Thailand, Indonesia, Singapore, Malaysia and the Philippines. Before leaving Washington he said the Pacific rim was an increasingly important market for US agricultural products.

Luxembourg offers its flag to shippers

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

LUXEMBOURG, the only landlocked member of the European Community, is close to finalising details for the launch of a shipping register aimed at shipowners in other Community countries.

A bill providing a framework for the register is expected to be tabled in parliament shortly and the register will begin accepting applications for membership in the early summer. Drafting delays have caused some slippage in the timetable, which called for registrations to begin on April 1.

The register is far from being a joke, despite Luxembourg's lack of experience in shipowning, maritime law and administration. Officials say they believe many European shipowners will see the register as a respectable alternative to existing flag of convenience registers such as Liberia, Panama and Cyprus.

However, the principal target is Belgian companies such as Cie Maritime Belge, which claim the high costs of domestic registration place them at a competitive disadvantage. CMB has taken a lead in re-registering ships with lower cost registers, and recently transferred four vessels to the Hong Kong and Liberian flags.

The company has given public support to the formation of the Luxembourg register, and is believed to have decided to transfer at least some of its 17 Belgian-flag ships. The main advantage will be lower crew costs than those available on the domestic register, probably through the use of crewing agencies.

The Luxembourg proposal marks an accelerating trend towards the establishment of offshore registers aimed at the traditional maritime nations of Europe. Norway and France set up such registers last year, and legislation to set up a Danish equivalent is passing through parliament in Copenhagen.

In addition, shipowners in The Netherlands are able to register ships in the Netherlands Antilles as an alternative to domestic registration and West Germany allows dual registration with Cyprus.

The most successful offshore register, however, is the Isle of Man, which offers cheap registration and crew costs while remaining technically part of the UK register.

Mr Christopher Horrocks, Secretary-General of the International Chamber of Shipping, said the Luxembourg register was likely to be attractive to Belgian owners because of the lack of an associated alternative flag.

But he said shipowners were unlikely to regard the register as more attractive than the existing alternatives.

• Luxembourg will not be the first landlocked European country to develop a maritime tradition: Switzerland already has a large fleet, including a number of ocean-going ships.

SHIPPING REPORT

Easing in tanker rates

BY KEVIN BROWN

RATES eased on the tanker markets last week as the level of inquiries from charterers declined. Little business was done towards the weekend, causing some anxiety about prospects for the coming week.

Brokers said the Middle East Gulf VLCC rate was hardest hit and was saved from a complete rout only by the unexpected fixing of four large tankers by Norbec.

These were reported to include a 320,000 tons deadweight vessel from the Gulf to the West at Worldscale 31 and two ships of 260,000 tons at Worldscale 27.5/30.

A US oil major was reported to have tried to move rates down to around Worldscale 25, but the next VLCC fixture reported was for 225,000 tons at Worldscale 29.5.

None the less, brokers said charterers appeared to be succeeding in forcing rates down in general and forecast further weakness in the absence of a surge in VLCC inquiry this week.

Rates for smaller ships in the 80,000 to 120,000 tons class were reported to be steady, and Worldscale 75 was paid for a vessel of 80,000 tons from the Gulf to Australia.

Brokers said there was little movement in rates elsewhere, although a lack of early tonnage caused some softening for cargoes from West Africa.

In the dry cargo market, the US Gulf/Continent rate held steady at $13 and the key Gulf/Japan rate at $22.25 despite efforts of charterers to reverse the increases of recent weeks.

Denholm Coates, the London brokers, reported a "spectacular" fixture of $34 for Gulf/China grain, compared with a previous level of $25.

Unionists warned on risks of return to militancy

By Jimmy Burns, Labour Staff

A REPEAT of the experiences of the 1960s and 1970s, "where union leaders were seen to be more powerful than prime ministers," risks damaging further the image of trade unions, according to a leading union and Labour Party strategist.

Mr Tom Sawyer, deputy general secretary of the National Union of Public Employees, said in a weekend speech that unions must think carefully before taking industrial action and should improve the style and means of communicating with the public.

Mr Sawyer told the Cambridge University Industrial Society: "Too often the aim of unions is seen as strikes rather than good industrial relations. Too often we are seen as a sectional interest, threatening the community rather than the voice of the community. Too often we are seen as grabbing more for those who have, rather than defending those who would otherwise be defenceless in the workplace."

Developing a theme which he first outlined at the beginning of last year, Mr Sawyer talked of a "new generation of union leaders" who have begun to "redefine union purpose" in the light of the political and social changes brought about by the government of Mrs Margaret Thatcher, the Prime Minister.

He suggested that trade unionism should in future cut a middle course between the militant strike action favoured by the "traditionalists" and the "business unionism" practiced by other unions.

Mr Sawyer said that the current dispute in the National Health Service showed how his union had to be "effective in its presentation" in order to win the popular support.

David Brindle charts a widespread re-emergence of labour militancy

Unions rehabilitate the old weapon

SUDDENLY it seems the bad old days are back. After almost a decade of retreat, the unions appear to be baring their teeth and threatening all manner of trouble.

For the first time since at least 1984, when a dockers' strike came together with the year-long miners' dispute, the weekend news was dominated by the prospect of widespread disruption of the economy and of public services.

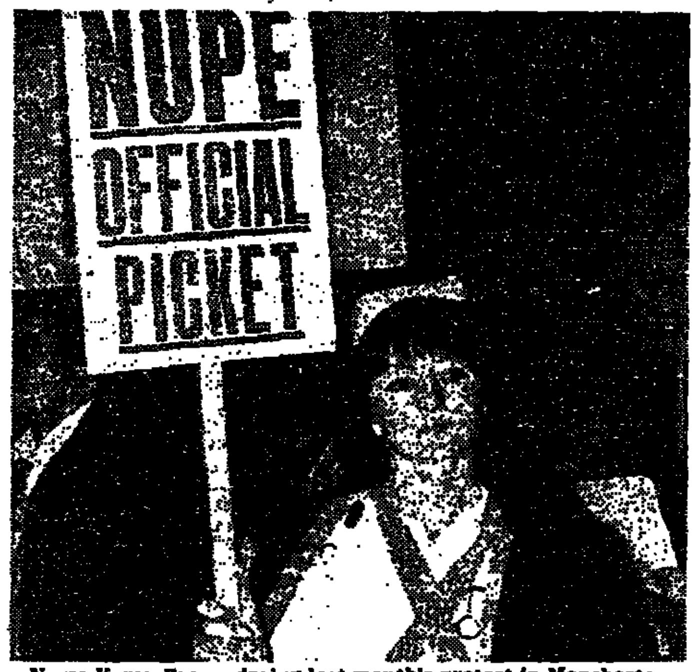
The coal industry was being hit by action by pit deputies and faced possible tougher sanctions from mineworkers led by a re-elected Mr Arthur Scargill; car workers at Ford were on the brink of an all-out stoppage and those at Vauxhall were planning to ballot their members on following suit; seafarers were poised to halt ferry services; and nurses and other health workers were preparing for a series of unprecedented protest strikes.

On top of all that, the long-running television technicians' dispute at TV-am, the independent breakfast television channel, was given fresh impetus and it emerged that 47,000 social security staff were to be balloted on a strike from mid-March over job losses resulting from computerisation.

However, next weekend, the TUC's policy review body will meet for two days of crucial discussions on the way forward for the unions. The whole premise of this exercise is that the world has changed over the past 10 years and that the old ways – by implication, the strike ways – are outmoded.

And last Saturday, even as many of his own health worker members were painting their placards for this week's hospital walkouts, leading labour movement theorist Mr Tom Sawyer was warning of unions being seen as "grabbing" and in favour of strikes rather than good industrial relations.

Mr Sawyer, deputy general secretary of the Nupe public workers, has more reason than most to be wary of suggestions of another "winter of discontent." It was Nupe, more than any other union, which was blamed for the reported excesses of the strikes of that 1978-79 winter and for the subsequent downfall of the Labour Government and the birth of Thatcherism.



Nurse Karen Brown during last month's protest in Manchester

Britain may not be on the brink of another winter or spring of discontent – far from it – but there is a clear case for considering whether the unions are back in business much as before.

There are, of course, conspiracy theories: that much of the unrest in the health service has been got up by extreme left-wing agitators; that the pit deputies are being manipulated to help Mr Scargill swing his own union behind stronger action; that the ferry strike threat is part of an internal power struggle in the NUS seafarers' union.

However, the large ballot majorities for industrial action (90 per cent among the pit deputies, 88 per cent at Ford) suggest strong membership feeling on the issues at stake. Further, there is much evidence that health workers are voting spontaneously for strikes in spite of unease on the part of their union leaders like Mr Sawyer.

Three statistical indicators are of importance here:

● The general level of strike activity has started to rise again from a 50-year low. The latest figures, for last November, show 3.5m working days lost through stoppages over the preceding 12 months compared to 2m for the same period in 1986.

● Union membership is beginning to rise again. Both Usdaw, the shopworkers' union, and Nalgo, the mainly public-sector white-collar union, have in the past two weeks reported year-on-year increases. The TGWU transport workers may follow suit in March.

● Earnings seem to be rising remorselessly. Latest government figures show an average underlying increase of 8.25 per cent and most surveys show a corresponding increase in basic pay settlements, notwithstanding the slight downturn reported today by the CBI.

Against this general pay backdrop, Ford and Vauxhall workers have been reluctant to tie themselves in to long-term productivity/flexibility deals of three and two years, respectively, unless and until the price is right.

Similarly, the pit deputies have resorted to national strike action for the first time because they see their pay differentials being eroded by the bumper productivity bonuses being earned by the miners they supervise.

The seafarers' and the health workers' unrest is of a different kind. The NUS leadership appears to have decided to stand and fight on principle over a seemingly minor dispute, involving the Isle of Man ferries, after watching the union's strength crumble as the shipping industry has restructured and contracted.

In the same "enough-is-enough" way, as demonstrated by countless newspaper, radio and television interviews with nurses in recent days, health workers appear to have decided that lobbying, petitioning and generally being angelic has got neither themselves nor the National Health Service very far.

However strongly and frequently the Government and the anti-strike Royal College of Nursing denies it, most health workers share the general public perception that ministers backed down as soon as 38 Manchester Nupe nurses last month walked off their wards for one shift in protest at plans to cut some unsocial hours payments.

That, more than anything, has rehabilitated the strike weapon and has provided a powerful symbol for those who believe that the union worm may, just may, be turning.

Training schemes 'suffer serious defects'

By Charles Leadbeater

EVEN the training programmes which are judged by British employers to be their best suffer serious shortcomings, according to a report by the Manpower Service Commission.

The report, based on an analysis of 1,200 training programmes entered for the commission's 1987 National Training Awards competition, is one of the most comprehensive surveys undertaken of training by employers.

The report says that many employers lacked a clear understanding of how the need for training flowed from their strategic objectives. As a result, many training programmes were not as coherent or effective as they could have been.

"Training without clear organisational objectives is probably little more than entertainment," says the report. It says that "the more successful entries from employers to the commission recognised this.

"In some of the less successful entries, it was not clear why the training was undertaken, or the impression was that training was being done for training's sake."

On the more detailed planning of training, the report says: "What was missing in a large number of entries, successful and less successful alike, was the clear expression of training needs and objectives, and indications of what was expected to be learnt and how that learning would be demonstrated in practice."

It continues: "Equally rare were statements in clear and unequivocal terms of the outcomes of training effort, particularly as demonstrated in the work performance of those who had been trained. Successful entries paid more attention to the evaluation of training, but even among these the bases for evaluation were sometimes superficial and vague."

The lack of clear criteria, in many entries, for evaluating training stemmed from a failure to specify the desired outcomes when the training programme was designed.

The objective evaluation of subsequent improvements in performance was missing in many programmes for management development, supervisor training, and interpersonal skills.

Standards of achievement were more frequently established in programmes for manual, physical, and technical skills.

However, the report says considerable thought, ingenuity, and energy were generally applied to the delivery of training through combining courses, on-the-job training and videos.

An analysis of the 60 programmes which won awards from the commission showed a causal relationship between the enhancement of a work force's skills and a subsequent improvement in the overall performance of an organisation, the report says.

Examples are included in the report of how successful training programmes led to higher sales revenues, better service quality, productivity gains and improved worker motivation.

Entries were submitted from a wide range of private and public sector employers, including such sectors as aerospace, steel, computing, telecommunications, car manufacture, hotel and catering, the public services and travel.

A quarter of entries came from organisations employing less than 200 workers.

Seamen to go ahead with strike sparked by 161 dismissals

BY JIMMY BURNS, LABOUR STAFF

THE National Union of Seamen was yesterday proceeding with plans for a national strike from midnight tonight which could cause widespread disruption to Britain's freight and ferry operations.

The strike was called by Mr Sam McCluskie, the union's general secretary, on Saturday in support of 161 NUS members who were dismissed by the Isle of Man Steam Packet Shipping Company for refusing a pay and conditions package.

The NUS said that the strike – initially planned for 24 hours – was about wider issues threatening the survival of the union, including the growing tendency of British shipowners to change existing agreements and operate under foreign flags.

The policy of "flagging out" – attractive to ship owners because of its ensuing low labour costs and tax breaks – has contributed to a big fall in NUS membership. Union officials also claim that it has led to laxer safety standards.

The broader motivation for the action has apparently been emphasised to avoid the prospect of legal action being taken against any NUS members engaged in the action but not employed by the Steam Packet.

However, NUS officials said privately that the union might still have to seek legal advice after having decided to push ahead with the strike without a ballot of members.

Mr McCluskie said that from February 2, "no British-flagged ferry will sail from any UK port." However, some employers said that support for the strike could prove patchy. Britanny Ferries and P & O, among the major companies operating ferry and freight services across the Channel and the Irish Sea, said that they did not expect to be affected.

● British Coal warned that at least 20 pits could face closure through lost production if current industrial action in the industry spread.

The warning came as Nacods, the pit deputies' union, prepared to follow up a widely supported weekend overtime ban with a 24-hour strike in a dispute over pay.

Nacods and the National Union of Miners plan to meet tomorrow to consider whether to step up their action.

Nacods' first-ever national stoppage follows membership votes rejecting two pay offers.

UK NEWS

Ministers seek to end council planning delays

BY ANDREW TAYLOR

MINISTERS ARE today expected to launch a determined attack on local authorities over mounting delays in dealing with planning applications.

Dismayed at the time it can take to get some developments approved, they have examined various ways of short-circuiting the planning process.

Large-scale developments like the Channel tunnel and the proposed privately-financed bridge over the River Thames at Dartford have been made subjects of special hybrid parliamentary bills to avoid lengthy public inquiries, which can take months to reach a decision and can cost developers millions of pounds in legal fees and lost time.

Simplified planning arrangements have also been introduced in enterprise zones and urban development areas in an effort to encourage private developers to bring forward schemes.

Environment Department figures due to be published today, however, are expected to show that a number of councils are still failing to meet government targets which expect 80 per cent of planning applications to be processed within eight weeks.

Ministers are likely to warn that they could be forced to consider stronger measures against councils which persistently fail to meet the targets.

One of the reasons for creating urban development corporations was the Government's concern that efforts to stimulate private investment in inner city and urban areas were being frustrated by bureaucratic or doctrinaire planning authorities.

Seven urban development corporations, including the two original ones in London Docklands and on Merseyside, have been established and a further three mini-corporations, also with wide planning powers, are expected to be established shortly in Bristol, Manchester and Leeds.

In addition, the Government has also asked local authorities if they wish to apply for simplified planning zone status in a further attempt to cut red tape.

Rules for schools opting out stir committee battle

BY OUR POLITICAL EDITOR

AN ATTEMPT will be made tomorrow by a cross-party group of MPs at a Commons committee to insist upon a high level of parental support before schools are permitted to opt out of local authority control under the education reform bill.

Dr Keith Hampson, Conservative MP for Leeds North-West, originally proposed that at least 50 per cent of parents at a school would have to vote in favour of opting out.

However, this plan looked certain to be defeated after intense lobbying of Tories on the standing committee of the bill by Mr Kenneth Baker, Education Secretary, for the current provision for a simple majority, regardless of turnout.

Dr Hampson has tabled what he describes as a compromise plan requiring 40 per cent of parents to vote in favour before a school can opt out. He bases this on the formula used in the March 1979 referendum on Scottish devolution.

This amendment is assured of support from Labour and Mr Paddy Ashdown of the Liberals but looks unlikely to gain sufficient Tory support to win.

However, the public airing of the issue, and the possibility of cutting the Government's majority on the committee, is intended as a signal to the House of Lords when it considers the bill in the summer. Ministers expect difficulties on the opting-out clauses among peers.

Dr Hampson argues that it is necessary to have an objective test of parental support for such a once-and-for-all step as opting out, rather than the current provision for a simple majority, after which the Education Secretary will use his discretion to judge whether there is sufficient parental backing for opting out.

The Commons will this afternoon debate a guillotine motion to limit further debate on the education reform bill and the opposition will press for a Government statement on whether it has changed its view on the future of the Inner London Education Authority.

The bill proposes allowing boroughs to opt out of Ilea but Mrs Thatcher is sympathetic towards a Commons motion calling for total abolition of the Ilea sponsored by Mr Michael Heseltine and Mr Norman Tebbit and backed by 100 Tory MPs. A ministerial statement is expected within 10 days.

MFI signs carpets deal

BY MAGGIE URRY

HARRIS QUEENSWAY, the furniture and carpet retailer, has signed a five-year agreement with MFI, the furniture chain, to sell carpets in the larger MFI stores.

The deal will give Harris Queensway 1,500-2,000 sq ft of selling space in each of 78 MFI stores, adding about 8 per cent to the sales area in its carpet operation. Initially, Harris Queensway will operate in MFI stores already selling carpets.

Harris Queensway will be offered space in new stores in which MFI offers its full range of furniture. The concessions will trade under the name Carpets Carpets Carpets.

Artists come to aid of the Tories

By Peter Riddell, Political Editor

SEVERAL prominent figures in the world of arts have agreed to serve on a new Conservative Party committee on the arts, to counter recent charges of government philistinism.

They include Sir John Tooley, the retiring general director of the Royal Opera House Covent Garden, Mr Donald Sinden, the actor, and Sir Roy Strong, the former director of the Victoria and Albert Museum.

The advisory committee – formally launched today with the support of Mr Richard Luce, Minister for the Arts – is intended to strengthen the ties between the arts and the Conservative Party.

Mr Luce says the committee will "give objective and independent advice on policy for the arts and organise, by a variety of means including seminars, practical links between the arts and the party in all parts of the country."

Formation of the committee will partly be seen as a response to criticism the Government has faced from leaders of the theatrical, artistic and musical worlds both for its general attitude towards the arts and education, and, more specifically, for its level of financial support.

The list of advisers is intended to show that a wide variety of prominent artistic figures are willing publicly to be associated with the Tories.

Mr Patrick Cormack, Conservative MP for Staffordshire South, will chair the committee in view of his close involvement in the arts world. He is chairman of the all-party committees on the arts and the heritage and a commissioner of the Royal Commission on Historical Manuscripts.

In a statement released this morning, Mr Luce comments that the arts are benefiting from the new economic climate produced by the Government. "My recently announced three-year financial settlement provides a firm basis on which we can ensure that the arts play their full part in national life."

City appeal for ChildLine aid

By Barry Riley

TWELVE LEADING City of London financial experts are launching a £3m appeal in aid of ChildLine, the telephone answering service founded by television personality Esther Rantzen for children in distress.

The aim is to establish the service on a permanent footing, on the basis of a total £7.3m of funding for the 18 months up to April 1989.

From today the 12 will be lobbying companies and individuals to put up the £3m through a variety of tax-efficient schemes. Chairman of the City Appeal Committee is Mr Geoffrey Musson, of Merchant Navy Investment Management, telephone 01-588 6000.

Honorary bankers to the City Appeal are Barclays Bank, 2 Cannon Street, London EC4M 6XA. Cheques should be made payable to ChildLine City Appeal.

Our Political Staff report from the SDP conference on merging with the Liberals

Bitterness rules parting of the ways

THE SOCIAL DEMOCRATS left Sheffield yesterday torn apart in an exhausting weekend of heart-searching, political ill-will and personal rivalry.

By the end of a conference, filled with earnest intention, party chauvinism and trivial jealousies, praise had been heaped on heroes and scorn poured on heretics.

In what had increasingly seemed the only, inevitable outcome, the creaking consensus finally collapsed under the weight of an equally obstinate conviction that each side's opponents were wrong.

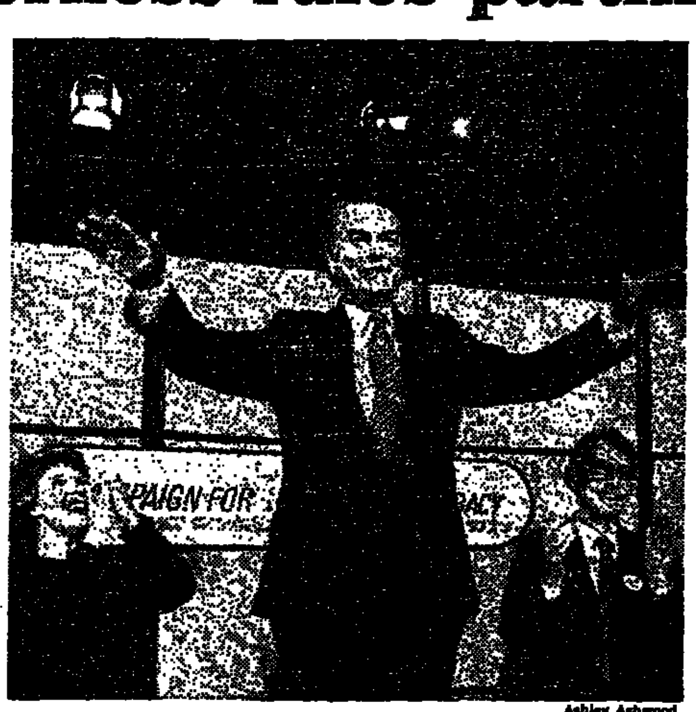
With the argument still raging over who exactly was walking out on whom, party members will now pick themselves up and set off on diverging routes. Their paths are unlikely to converge in any spirit of genuine unity for a considerable time, although they will soon cross on the hustings.

Throughout 48 hours of high tension, the battle lines remained drawn between those who believed the chances of mounting a viable "third force" lay in union with the Liberals and those for whom such an option was simply too high a price and too high a risk.

To the majority in favour of creating the new party, their opponents were portrayed as separatists indulging in a self-interested splinter group whose personal pride and political narrow-mindedness had blurred the vision and numbed the memory.

In the eyes of merger opponents, the plan involved "the unsuitable in pursuit of the unsustainable" – a triumph of expediency over political principles.

One man in particular played hero and villain simultaneously. Dr David Owen, the former SDP leader, having told



David Owen: simultaneously hero and villain

Ashley Ashwood

his followers not to engage in the merger debate, emerged to stake his claim to the ownership of the party which he helped create.

In choosing, however, not to confront the conference proper, he invoked accusations of ducking out of the fight to defend his principles. His reluctance to participate, he claimed, was consistent with his wish to prevent further feuding and his desire not to prevent a friendly divorce.

At an alternative, presidential-style rally – immediately used by critics to press home accusations that the remaining SDP will merely amount to a fan club financed by a food store rather than a credible, political alternative – Dr Owen warned the "faint-hearted" in favour of merger that the contest could continue elsewhere.

Refusal to co-operate with his group, he added, flew in the face of all the arguments for proportional representation. He did not seek, but would not shirk, a fight.

In a reference to the petty but telling eve-of-conference row about the right to use the conference hall, Mr John Cartwright, one of Dr Owen's two parliamentary colleagues, said the history of the party would describe the gathering as "the meeting they could not stop."

The Owen supporters, having got their way, would certainly have been happy to let their hero go on and on. Buoyed by last week's SDP victory in a Woolwich local by-election, which was magnified to the point of near-absurdity, Dr Owen told an admiring, attentive caucus that they had not risked everything on the party's formation in 1981 to see it dismembered now.

The SDP intended to remain a national party, committed to multi-party politics and coalition government. If they had to, they would fight every seat at the next general election, although he looked to the grass-roots to create sensible partnerships which would prevail.

Although he did not say so, he believes that, in spite of the bruised egos and ancient rivalries, the same inexorable logic which created the Alliance will return.

Mr Cartwright, who rejected and then accepted an invitation to put the Owenite case to conference yesterday, said he could not contemplate joining a party whose leaders could draw up two totally different policy statements in five days. Like his senior colleague, he could have no truck with a party which played fast and loose with the nation's defences.

But separatism, according to those supporting a merger, was unrealistic and doomed to fail. Mrs Shirley Williams, the SDP president, *told her openly divided audience that there was no political future for a "fragmented centre."*

The last election, she said, had postponed the implementation of proportional representation for Westminster elections well into the next decade. Any attempt by the Owenites to run, in one political system, a party which only made sense in another was "a cop out."

Mr Robert Maclennan, the SDP leader, in a warmly-received key address, stressed that, at a time when a Thatcherite government was in the ascendancy, the social democrats could not fracture and abdicate the field at such a critical time.

There was, he stressed, no going back to a competitive relationship within an Alliance that baffled and bemused the voting public.

Mr Alan Watson, the former Liberal president, who raised a cheer in conceding that the newly-created Social and Liberal Democratic Party would probably become known as the Democrats, said electoral reform could only emerge when its supporters gained the power which enabled it to implement the necessary changes.

It was, he insisted, a kind of conceit to practise politics as though proportional representation was a reality. The challenge was to "live, fight and succeed in the real world."

Lord Jenkins of Hillhead, hailed by merger supporters as the "father" of his party and guardian of the social democratic grail, said failure to merge would hand back British politics to the "sterile custody" of the two-party monopoly.

True social democrats, he taunted, did not want a sub-Thatcherite, right of centre party of would-be government but a radical party capable of challenging both the old alternatives.

As they left Sheffield, both sides were at least agreed on one thing. The credibility of British, centre-ground and coalition politics in Britain has received a serious blow to the solar plexus. Neither side believes the damage is irreparable, though both are equally uncertain and nervous.

Michael Cassell

Veterans relive the trauma of changing parties

DOTTED AROUND the conference hall, greyer and stouter than before, sat some of the survivors of the Great Defection of 1981-82.

When the Social Democratic Party was young and euphoric a highlight of the first six-day rolling conference, from Perth via Bradford to London, was the arrival of new defectors from the Labour Party. Each, however obscure – and some were very obscure – was loudly cheered. One morning in Bradford three arrived, and tears rolled.

A total of 29 MPs, including one Conservative (Mr Christopher Brocklebank-Fowler), joined in 1981-82 for motives ranging from conviction to fear of deselection by local Labour parties.

Five others have been elected as Social Democrats since the 1981 launch. Of this total of 34, only five remain in the Commons.

Two of the defectors have died, two have exited rightwards (Mr John Horam joining the Tories) and two have gone leftwards.

Of the remaining 28, some are semi-retired, others are only semi-active politically – one is a successful butterfly-farmer – but well over a half still take a prominent part on one side or another. The surprisingly high number of 21 were at Sheffield.

Founding chief whip Mr John Roper – now at Chatham House, but still influential on policy – reckons that half the 28 back the new party, 10 favour the continuing SDP of Dr David Owen or oppose merger, and four have not disclosed their views.

Among the supporters of Dr Owen are current MPs Mr John Cartwright and Mrs Rosie Barnes and former members Mr Mike Thomas, Mr Edward Lyons and Mr Ron Brown. Mr John Grant and Mr Jim Wellbeloved urged a no vote over the weekend.

On the other side are not only MPs Mr Robert Maclennan and Mr Charles Kennedy, but also Lord Jenkins, Mrs Shirley Williams, Mr Bill Rodgers, Mr Ian Wrigglesworth, Mr John Roper, Dr Dickson Mabon and Mr Tom Ellis. To some extent the pro-merger group is based on the old pro-European Labour set.

Differences between MPs on the two sides, long-standing friends, are as bitter as those throughout the party. "Have you been to the Nuremburg rally?" pro-mergerites asked of journalists who had attended Dr Owen's emotional relaunch on Saturday evening. Similarly, Dr Owen's allies are contemptuous of their former colleagues for being "faint-hearts."

Mr Ron Brown, brother of the late Lord George-Brown, reflects the views of some of the older former Labour MPs when he complains: "I heard the same thing before when they tried to get rid of me from Labour. I'm staying with the SDP."

The mood in Sheffield could not have been more different from the heady days of the Great Defection in 1981. Yet, remarkably, many of the survivors of the trauma of leaving Labour and founding the SDP are now prepared to try again - sadder certainly, but not despairing – showing the politician's characteristic resilience.

Peter Riddell

Oil rig removal costs 'reduced'

BY STEVEN BUTLER

ESTIMATED COSTS for full removal of oil and gas production facilities in the North Sea are significantly lower than previously thought, according to a report by Wood Mackenzie, the Edinburgh stockbroker.

The findings are good news for an industry that was expecting to have to spend some £7bn on decommissioning huge North Sea rigs when production becomes uneconomic.

Wood Mackenzie now puts the price tag at £5bn in 1988 prices – a figure that includes abandonment costs in the Irish Sea and the southern gas basin.

The lower estimate comes partly from technological advances and also from changes in assumptions about the underlying cost factors, including lower rates for support vessels and personnel.

The study also found that oilfield life had been extended on a number of developments due to lower operating costs, increased reserve estimates and the use of satellite developments. The oil price, however, would be a decisive factor in timing abandonment.

Abandonment of production facilities in the North Sea has become of increasing concern as the production fields reach maturity. From July, the Energy Secretary may require oil companies to submit details of abandonment plans.

Labour leader rounds on 'loud-mouthed minority'

BY OUR POLITICAL EDITOR

MR NEIL KINNOCK, the Labour leader, yesterday told his party's hard left to shut up and stop causing distractions.

This warning follows recent strong criticisms from Mr Tony Benn and other leaders of the hard-left Campaign Group of MPs. They are considering whether to challenge him as leader and Mr Roy Hattersley's position as deputy leader this autumn.

On Saturday Mr Benn argued in a strongly worded speech that there was "widespread anxiety throughout the party at the direction which is being taken by the national executive, the shadow Cabinet and the party leadership generally."

Mr Benn cited "the abandonment, or watering down, of basic policies" and "the almost total subordination of the national executive and party staff to the leader's office, which now exercises its power in an increasingly authoritarian and intolerant manner, often showing contempt for those who express dissent."

He said there was "a nagging fear that if this process is not soon checked, and reversed, the Labour Party might actually go into a terminal decline, or be so weakened as to be virtually unelectable in the next general election."

In what will be seen as a reply, Mr Kinnock yesterday ended Labour's local government conference in Edinburgh with a call for unity, saying: "My father used to counsel: in politics, you need a good majority to win; you only need a loud-mouthed minority to lose."

He said the hard-working majority of Labour activists "are infuriated by the way in which so much of the good things they are doing are obscured by the bad news about what others are doing."

صكرا من الاجل

Building orders 'at highest level for 15 years'

BY ANDREW TAYLOR

CONSTRUCTION COMPANIES have begun the year with order books at their highest level since the early 1970s, according to a survey published today by the Building Employers' Confederation.

The confederation, which has 9,500 members with a combined annual turnover of more than £20bn, says its workload survey conducted in December was one of the most buoyant it had ever ever conducted. It was the first time the confederation had tested market opinion since share prices crashed last autumn.

Just under 70 per cent of the 600 companies questioned reported they were working at full or almost full capacity, and 76 per cent of the companies expected further increases in workloads during this year.

Construction output in Britain last year is thought to have risen by around 7 per cent – the highest annual growth rate since the mid-1960s.

The confederation's latest survey is in line with recent forecasts suggesting that output might rise by a further 3 per cent to 5 per cent during 1988, depending upon whether orders for the Channel tunnel are included in the predictions.

Forecasters are more concerned about the outlook for 1989, when many believe the current growth phase may be looking a little lacklustre, as British construction output has risen in every single year since 1981. Even so, output is forecast to rise in 1989 by about a further 0.5 per cent.

The confederation says the results of the December survey were even more surprising, given that activity traditionally turns down over the final three months of the year.

The increased optimism expressed during December reflected a general improvement in trading activity as well as the mild weather, which enabled construction to proceed faster than normal at that time of the year.

It was even more enouraging that half the companies questioned in December said they had received an increased number of inquiries for new work. Furthermore, in spite of increases in workloads, fewer companies were experiencing delays as a result of material or labour shortages.

"In September, 23 per cent of firms reported experiencing significant delays due to manpower shortages, while in December the corresponding total had declined to 19 per cent," said the confederation.

Tender prices had also increased for almost two-thirds of the companies questioned.

Unit Trust Association welcomes industry rules

BY ERIC SHORT

THE RULES governing the unit trust industry, issued last week by the Department of Trade and Industry, have been broadly welcomed by the Unit Trust Association.

However, Mr Keith Crowley, marketing manager of leading unit trust MIM Britannia, is bitterly critical of them.

The DTI is proposing that unit trust managers will have the choice in pricing their units on a forward basis, where deals are transacted at the next price to be calculated, or on the present backward basis with deals made at the last calculated price. Prices are calculated daily, or sometimes twice a day.

Mr Bill Stuttaford, association chairman, said that at first glance these proposals seem to strike a fair compromise between the need to give the greatest possible protection to investors and the desire to maintain a pricing system that is easily understood.

Mr Crowley says the rules represent the worse possible compromise and will result in widespread confusion and resentment for investors.

The DTI proposes that managers must inform trustees within two hours of the valuation point of pricing units (when the underlying share values are taken).

Computer growth to create 200 Scots jobs

By Terry Dodsworth

APOLLO COMPUTER of the US, the rapidly-expanding workstation manufacturer, expects to create about 200 jobs at its plant at Livingston in Scotland in an expansion planned for the spring.

Technical workstations are powerful desktop computers which are mainly used by design engineers and technicians for high-resolution graphics and complex calculations.

Mr Thomas Vandersllce, Apollo's chairman, said the facility was designed to serve customers in Europe and parts of the Far East. Apollo, which claims to be the world leader in the relatively new computing area of technical workstations, generates about half of its \$554m (£311m) annual sales outside the US.

The company has had a UK operation since 1981, and employs 150 people on sales and servicing. Three years ago it began manufacturing at Livingston, where it already employs about 200 people assembling machines for the European market.

More recently, the machines have made a big impact on the financial sector, which Mr Vandersplice described as one of Apollo's fastest growing markets. They are widely used in the City of London.

Demand for workstations has recently grown strongly in Europe, where Apollo expects to sell products worth \$200m this year.

Worldwide sales in the sector are estimated to have risen by more than 30 per cent last year. Apollo's increased 40 per cent to \$554m from \$392m. The company's net income jumped to \$22m from \$9m in the same period.

Guernsey reform

Guernsey's Financial Services Commission, which will regulate all the island's financial and insurance activities, comes into operation today.

It takes over responsibility for licensing and regulating banks, insurance companies and collective investment schemes, and other functions.

Alan Cane reports on the background to SDL's proposed acquisition of Scicon

Looking for a place in the software elite

A SUCCESSION of mergers and acquisitions is forcing the pace of change in the computing services business. The emergence of truly international software houses such as Cap-Gemini-Sogeti of France and Electronic Data Systems of the US is helping the business shake off its "cottage industry" image.

The proposed acquisition, announced last week, of Scicon, the UK's oldest computing services company, by the more aggressive Systems Designers (SDL) is both evidence of this trend and an indicator that Britain's entrepreneurs are looking for a place among the world's software elite.

Mr Philip Swinstead, chairman and chief executive of SDL, has argued since the company went public in 1982 that by the mid-1990s rationalisation and integration would mean the emergence of a worldwide first league which newcomers would find impossible to break in to.

"There is only room for a certain number of world-class multinational companies and we intend to be among them," he said after last week's announcement.

"The synergy between ourselves and Scicon is perfect. There are scarcely any areas in which we compete."

Scicon has a ready-made international flavour with operations in France and West Germany and the US. Scicon International's headquarters are in the US.

Mr Warren Werblow, Scicon UK's managing director, shares Mr Swinstead's enthusiasm: "We see this as a very positive and very exciting development. It will mean the emergence of a company which not only has more computing services business than any other in the UK, but which has more business outside the UK than within."

The company will have annual sales of about £230m, putting it number one in the UK and second only to Cap-Gemini-Sogeti in Europe.

Thorn EMI is second in the UK with sales from computing services of about £130m and Logica third with £110m.

There are queries about the quality of middle management on both sides of the proposed merged group. Scicon in particular lost some £8m last year, much of it in the US where UK companies have never had an easy ride.

Mr Swinstead, while paying tribute to the quality of Scicon's technologists, says its managers will have to observe better financial controls. It will not, he thinks, be a difficult job to get Scicon's finances right.

Managing software companies is a peculiarly difficult task, however, and few in the industry think it will prove easy to merge SDL and Scicon. "How do you buy a small software company?" the story goes. "Simple. You buy a large one and wait." The implication is that software houses' only assets are their very bright people who leave if they feel dissatisfied. Software houses are notoriously difficult to manage within large organisations.

Philip Swinstead: seeking better financial controls

The Scicon story bears this out. Founded in 1960 as the UK arm of the US Corporation for Economic and Industrial Research (CEIR), it was unashamedly elitist. Its founders, including Sir Maurice Kendall, Mr Martin Beale FRS and Professor Sandy Douglas, were among the finest linear programmers of their day, specialists in the complex mathematics of computer-based problem solving. Their skills – well suited to geological analysis – attracted the attention of British Petroleum, which acquired the entire company in 1965.

But it fitted awkwardly into BP's corporate structure, and many felt that Scicon's creativity and brilliance was steadily crushed under the layers of BP management. It was, after all, "just a decimal point in BP's accounts," as one former Scicon manager said last week.

It has never fulfilled its potential for profitability, although Mr Werblow points out that its operating profits have been hard hit by heavy investments in research and development.

On the other hand SDL, under the guidance of Mr Swinstead, has had a meteoric growth since its formation in 1969. Turnover and pre-tax profits of £9.6m and £1.1m in 1982 respectively grew to £61.5m and £4.5m by 1986. Profits growth of the company, which is based in Fleet, Hampshire, has been hampered in the past two years by relatively slow growth in the defence sector, one of SDL's principal areas of business.

Mr Swinstead, in pursuit of his dream of a mega-company to equal the world's best, has pursued an aggressive acquisition policy, buying first the troubled UK software house Systems Programmers and then the US company Warrington Inc.

Mr Swinstead is noted both for his understanding of the software business and for a grasp of financial matters uncommon in software bosses.

Mr Rupert Faure-Walker, a director of Samuel Montagu, the merchant bank advising SDL on its bid, said the deal would be financed through a mixture of debt and shares. It would not be highly geared.

By any measure, it is unusual to find a small software house like SDL bidding for a company with nearly three times its turnover. There was, Mr Faure-Walker said, a great determination in the financial world to see the deal go through and to create a new force in the international computing services business.

His enthusiasm seems to be shared by most companies in the business, although competitors said pointedly that if the merged company proved a handful to manage, they would be be quick to take advantage of confusion in the enemy camp.

Air UK applies for five BCal domestic routes

BY LYNTON McLAIN

AIR UK – which is owned by British & Commonwealth Holdings and KLM, the Dutch national airline – applied on Friday for five routes to be given up by British Caledonian Airways on its merger with British Airways.

The company has applied to take over BCal services from London Gatwick to Manchester, Glasgow, Edinburgh and Aberdeen and from Manchester to Aberdeen.

Applications for these routes have also been made by Air Europe and by British Island Airways and by British Airways, which is permitted to apply for the routes to be reassigned back to the airline.

Mr Stephen Hanscombe, managing director, said if the applications succeeded, the airline intended to order three more 98-passenger British Aerospace 146 airliners.

These would be in addition to the three BAe 146 airliners already in service or on order. The first Air UK BAe 146 was introduced on the London Heathrow to Guernsey route on December 14. The remaining two airliners will be delivered at the end of March.

"The applications are in line with our strategy of supporting the regions and developing air transport links which best serve their interests," Mr Hanscombe said.

"Our interest in these BCal routes is principally to broaden our base of operations in Scotland and the north of England and to provide a service designed to serve regional needs." Scotland provides 22 per cent of Air UK passengers.

Air UK is owned 85.1 per cent by British & Commonwealth Holdings and 14.9 per cent by KLM.

Citicorp starts early morning currency dealing

By Our Economics Staff

CITICORP, the large US bank, will offer, from today, foreign exchange trading facilities between midnight and the start of normal trading in London.

It said it was the first in London to offer this service and decided to do so in response to the rapid growth of Asia's foreign exchange markets and identified customer demand.

The US bank said that while London remained the world's largest foreign exchange market, Asian markets, especially Tokyo, Hong Kong and Singapore, were now bigger than the New York market.

Mr Chris Deuters, head of Citicorp's foreign exchange treasury division, said: "We have taken this initiative in response to demand from corporate, institutional and banking clients."

Leeds survey shows 48% of businesses expanding

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

A SIGNIFICANT increase in economic activity among members of Leeds Chamber of Commerce and Industry led to 48 per cent of businesses taking on more workers in the fourth quarter of last year and 41 per cent expecting to have new jobs to offer before March 31.

The chamber's fourth quarterly survey for 1987 – an important indicator of the state of West Yorkshire's economy – also showed that there was a surge in home orders, with 70 per cent of businesses reporting fuller order-books.

However, the key trend indicator is the difference between businesses reporting "ups" and those reporting "downs". At +42 per centage points this was the highest for all four quarters on recruitment, although forecasts have varied by only 1 percentage point in nine months.

The chamber says that in spite of recent improvements this may mean that employment levels are reaching a plateau. Obtaining the right labour is also a problem: 45 per cent of businesses were having trouble recruiting skilled workers.

Export markets are less buoyant, with the proportion of businesses reporting more orders dropping four points to 38 per cent. While this is still better than in the first half of last year, the chamber cautions that US economic problems may result in trading difficulties that will show soon.

Moreover, export activity in the second half was still down on the same period 12 months previously, when half of the businesses surveyed reported fuller export order books.

However, confidence is still high at present, with 87 per cent of businesses expecting more turnover this year.

UK NEWS

Hierarchy of brokers and merchant banks changes

BY BARRY RILEY

HILL SAMUEL and Cazenove have held on to their positions as respectively the merchant bank and stockbroker with the longest lists of corporate clients, according to the 1988 issue of Crawford's Directory of City Connections, published today.

But Hill Samuel has only narrowly retained top spot, after losing more than 20 clients compared with 1987, and the league tables show significant shifts in rankings, largely as a consequence of the turmoil following the Big Bang stock market changes.

The figures include all companies, with no weighting for size. The tables therefore favour banks or brokers with large numbers of small clients, and may underplay the influence of firms that concentrate on bigger clients.

Crawford derives the information from direct enquiries to companies, so the figures are not inflated by the competing claims of advisers.

Among the leading merchant banks, Hill Samuel has recently suffered top-level personnel losses from its corporate finance department, which may explain some of its client defections, although there is no obvious parallel cause for the similar client losses suffered by Kleinwort Benson, which drops from second to third place.

Morgan Grenfell, which received damaging publicity from the Guinness affair, has fallen from third to fourth and S.G.Warburg has taken the opportunity to jump from fourth to second.

Down the table, the changes in position are slight. However, two clearing bank subsidiaries – County NatWest and Barclays de Zoete Wedd – have both added clients against the general trend, which is for corporate clients to be slightly less ready to name a specific merchant banking adviser.

Among stockbrokers, Cazenove remains well in the lead, with no obvious damage from its unique decision, as a large broker, to spurn any banking links at the time of Big Bang. Rowe & Pitman (part of the Warburg group) and Hoare Govett (owned by Security Pacific) have held steady in second and third positions.

Elsewhere, both de Zoete & Bevan (part of BZW) and Phillips & Drew (a subsidiary of the Union Bank of Switzerland) have made good progress. Clients have been lost, however, by Kleinwort Grieveson and L. Messel (now known as Shearson Lehman).

Crawford's Directory of City Connections, 1988. The Economist Publications, 40 Duke Street, London W1A 1DW. £125.00.

STOCKBROKERS LEAGUE

	Broker	Clients
1 (1)	Cazenove	242.5
2 (2)	R. & Pitman	131.0
3 (3)	H. Govett	126.0
4 (6)	de Zoete & B.	104.5
5 (4)	CL-Alexanders	103.0
5 (7)	Phillips & D.	103.0
7 (5)	K. Grieveson	87.0
8 (8)	Capel-Cure M.	82.0
9 (10=)	Pan. Gordon	68.5
10 (10=)	James Capel	64.0

Last year's position in brackets

MERCHANT BANKS LEAGUE

	Bank	Clients
1 (1)	Hill Samuel	125.5
2 (4)	S.G. Warburg	123.5
3 (2)	Klein. Benson	122.0
4 (3)	M. Grenfell	117.5
5 (5)	County NatWest	116.0
6 (6)	N.M. Rothschild	102.5
7 (7)	Schroder Wagg	98.5
8 (9=)	BZW	89.0
9 (8)	Samuel Montagu	81.0
10 (9=)	Hambros	72.5

Last year's position in brackets

Unease at prospect of auditors going public

By Richard Waters

SENIOR COMPANY directors feel uneasy about the prospect of their auditors converting from partnerships to public limited companies, according to a survey conducted by Arthur Young, one of the UK's "Big Eight" accountancy firms.

The findings come just days before the Institute of Chartered Accountants in England and Wales decides whether to recommend a change in the law to allow accountants to sell shares in their businesses to outsiders.

The survey, among chief executives and finance directors of top 1,000 companies, reveals that 44 per cent are opposed to the idea of their auditors becoming limited companies, compared to 36 per cent who are in favour.

However, 49 per cent said that accountants should be allowed to convert if they wish.

The high level of opposition is due mainly to lack of knowledge, said Mr Gordon Anderson, chairman of Arthur Young. "Many people think that accountancy firms would change overnight, which isn't true."

The independence and integrity of accountancy firms – many of which have already adopted a quasi-corporate structure – could survive the transition, provided tight ethical rules were drawn up to prevent conflicts of interest, he said.

The Department of Trade and Industry has already announced its intention of allowing firms to become companies when it enacts the EC eighth company law directive next year.

However, its plan to allow firms to sell up to 49 per cent of their shares has caused bitter disagreement among accountants. The ICAEW is likely to agree a compromise later this week, asking for the level of outside shareholdings to be limited to 25 per cent.

One in seven of the financial institutions included in the Arthur Young survey said they would "consider investing in an accountancy company" if this was allowed.

Doctors criticise NHS funding

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

DOCTORS throughout the UK are finding it increasingly difficult to provide care and treatment because of inadequate funding, the British Medical Association said yesterday.

Members of the association's executive council are to hold an emergency debate on the financial problems facing the NHS on Wednesday. In a statement yesterday the association strongly defended the fundamental principles of the NHS but warned that it needed an "urgent injection of funds." Financial problems, said the association, were particularly serious in the acute hospital sector.

Dr John Havard, BMA secretary, said it was "inexcusable that the hospital services have been deliberately run down" during a period of economic well-being.

"The BMA has consistently warned that the NHS is being systematically starved of the resources it needs. Health authorities throughout the UK have had to contend with the knock-on effect, year-to-year, of cutbacks. Pay awards have been under-funded by government. Yet all this has been occuring while our economic prospects have been improving."

The BMA said: "The answer to the crisis is for the health service to continue to be funded essentially through direct taxation."

The UK health service provided comprehensive care and treatment for all sections of the population. The service was much cheaper than the systems of other countries, with better cost controls and lower administrative expenses.

DHSS challenge

DEPARTMENT of Health and Social Security handling of supplementary benefit claims will be challenged in the High Court today.

The action, brought by the National Association of Citizens Advice Bureaux and others, is aimed at obtaining guarantees that DHSS offices will be equipped to process benefit claims in the 14-day period set by Parliament.

Lawson urged to limit income tax cut

BY SIMON HOLBERTON

IN SHAPING economic policy this year Mr Nigel Lawson, Chancellor, should put together a tight Budget for March 15 and operate monetary policy to achieve lower interest rates, says CL-Alexanders Laing and Cruickshank, the UK securities house.

In its latest economic and monetary review, it argues for a Budget which limits tax cuts to 1p off the basic rate.

Furthermore, a reduction of 2 per cent in employers' national insurance contributions would boost industry's ability to cope with a decline in competitiveness and give it scope for investment.

Such a policy mix would, over two years, achieve higher growth, lower inflation and reduce interest rates.

The securities house says that Mr Lawson could "give away" up to £8bn in tax cuts without breeching public sector borrowing targets.

The policy environment is, however, one in which the Chancellor is constrained by an uncertain outlook for the British economy in the aftermath of the October collapse in share prices, fears concerning a resurgence of inflationary pressures and the deterioration in the balance of payments.

If growth remains strong a large tax giveaway would revive overheating and balance of payments worries, but if activity is already slowing a tight policy stance would provide a final push towards recession, it says.

CONSTRUCTION CONTRACTS

Changing face of Trafalgar Square

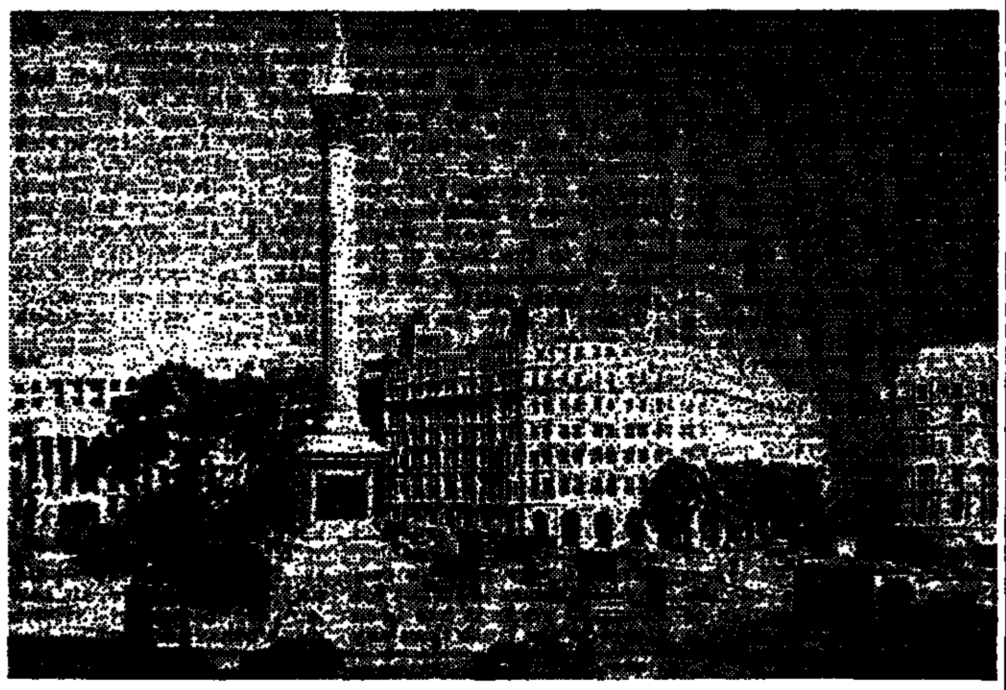
Land Securities has awarded HIGGS AND HILL BUILDING a £46.5m design and construct contract for a new building occupying a site of about one acre fronting Trafalgar Square in London SW1. Scheduled for completion in mid-1990, Grand Buildings will provide over 313,000 sq ft of lettable office and retail accommodation.

Higgs and Hill will take full responsibility both for the design and construction of the project, working with architects Sidell Gibson whose winning design was chosen from over 280 entries in an international competition.

The chosen design is similar in appearance to the original building, with facades in Bath and Portland stone to preserve the harmony of the existing environment. Over 86,000 sq ft of stone will be required for the finely moulded facade.

The opportunity has been taken to improve several aspects of the original building by careful handling of the fenestration as well as the addition of a new public arcade with a vaulted ceiling and stone floor at ground level on the Strand and Trafalgar Square frontages.

The basement, ground and mezzanine floors of the new building will be occupied by shops and restaurants. There will be six floors of office space and, in the centre of the building, a full height glass roofed garden atrium. Air conditioning equipment will be enclosed by towers and no plant will be visible from the square.



Before work commences on the reconstruction, complete demolition of the existing Grand Buildings and Standard House will be carried out by Griffiths McGee, starting in February.

The building will have a concrete encased steel frame on concrete raft foundations in most areas, with a reinforced concrete ground floor slab. Long span steel beams will connect the facade columns to the internal atrium columns and act compositely with the reinforced concrete floor slab. Concrete encased steel stanchions will support the steel beams at upper levels.

Shopping centre in Cardiff

SIR ROBERT McALPINE AND SONS has been awarded a £16.8m contract to build a four-storey shopping centre with service basement, a cinema and multi-storey car park, in Cardiff for GRE Properties. Bounded by Queen Street, Station Terrace, North Edward Street and Churchill Way, the Capitol Exchange will contain 26 shop units located in two malls on the ground floor with a food court above and car parking for 500 vehicles on the second and third levels. The complex will also contain an eight-screen cinema with a seating capacity of 1200.

Construction of the shopping centre and car park will be of reinforced concrete frame and slabs, with reinforced concrete and brick or block walls. The fully glazed central atrium, rising to a height of 21 metres, and the cinema will be of steel frame construction. Cast iron supports with patent glazing will form the covered ways. Externally the project will have a brick facade, with aluminium windows and curtain walling. All roofs will have a Welsh slate finish. Ancillary work covers the installation of all services within the shopping centre and car park and includes eight escalators, seven passenger lifts and one observation lift.

*

Work has started on £8.5m premises for WM Lighting, in Northampton, where ALFRED McALPINE MANAGEMENT is management contractor. The distribution warehouse and three-storey office block will be on the Brackmills employment area. The bulk stock warehouse will be 20 metres high to accommodate racking. Staff are expected to move in spring 1989. Alfred McAlpine International, has won a contract for Borno State Water Board, in Maiduguri, Nigeria. Worth over £1m, the order is for the construction of a 4,500 cu metre elevated water tower in reinforced concrete. Work will start in February with completion in 12 months.

£70m orders for Trafalgar House Group

TRAFALGAR HOUSE CONSTRUCTION HOLDINGS has won contracts totalling more than £70m on a variety of projects awarded to several of its operating subsidiaries. For Cementation Construction a further contract worth £15m has been awarded by British Airport Services for earthworks, drainage and paving to taxiways and aircraft stands at Stansted Airport, Essex. This taxiway '2' contract is due for completion in the spring of 1989.

At Fawdon, Newcastle upon Tyne, the company is to construct a two-track railway *bridge for the Department of* the Environment. The bridge will be constructed in prestressed concrete on jacked in abutments and the project is worth £2.4m.

For Cementation Piling & Foundations, £8.6m contract awards include the foundations for a new eight-storey office block to be constructed at 158-170 Aldersgate Street, London, EC1, by Costain Construction. This development for Land Securities is unusual in that although eight storeys will be above ground level, there will be seven storeys of basement car park. The contract will require Cementation to build a diaphragm wall around the perimeter of the site and in addition, the company will construct 30 No. 2400mm. diameter piles to depths of 52 metres.

At Queen Street, Cardiff, the company has been awarded a piling contract for the new Capitol Exchange, retail, office and leisure development for Sir Robert McAlpine and Sons.Around 300 piles, varying in diameter from 750 to *1050mm are being* bored to an average depth of 15 metres.

Four smaller contracts awarded to Cementation include a further project for the construction of mini-piles at the Raven Meadows retail development in Shewsbury, currently under construction by John Laing; the construction of a 31 metre diameter circular diaphragm wall for the Anglian Water Authority for its new pumping station at West Thurrock, Essex; a piling contract using top driven Frankipiles for Balfour Beatty Building on the site of a new 10-storey studio complex for the BBC at White city; a 100,000 sq metre *dynamic compaction contract* has been awarded to Cementation on the Gateshead Metropolitan Council site for the Garden Festival Centre – adjacent to the new Gateshead Metro centre and Western by-pass.

Trollope & Colls Construction has been awarded a £2m contract from Goldquill. The company is to refurbish an office building at 120 Pall Mall, London, SW1, commencing the end *of February with completion* anticipated in October.

For Grosvenor Square Properties, Trollope & Colls management is to complete a major refurbishment in Aldwych, London, WC2, under a *construction* mannagement contract valued at £8m. Also valued at £8m, is a construction management contract for Brunswick Wharf (a joint venture between Berkeley House and Rosemugh-Stanhope) for the demolition of Brunswick Wharf Power Station, Poplar, London, E14.

A £4.2m contract has been won by Willett for the construction of a leisure centre in Sittingbourne, Kent for Swale Borough Council. As *part of the* scheme, the old Sittingbourne Town Hall will be refurbished and a conversion will incorporate it into the the new complex which will include a swimming pool. The leisure centre is due for completion in May.

Two contracts have been awarded to Rashleigh Phipps Electrical, part of the construction supplies division. The first, worth £800,0000, is for the complete building services installation at 123 Pall Mall, London, SW1, for Trafalgar House Developments. The listed building is currently being refurbished by Trollope & Colls Construction and Rashleigh Phipps expects to commence work in March. Secondly, Rashleigh Phipps has been awarded a £600,000 contract involving the installation of electrical services for the Joint Credit Card Company, at Southend, Essex.

Legal Notices

AGRICULTURAL MOVEMENTS LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at 14 Cross Burgess Street, Sheffield S1 1QA on 8 February 1988 at 3.00 pm for the purposes of having laid before it the report prepared by the administrative receiver in accordance with the said section and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Dated this 15th day of January 1988

D J STOKES
Administrative Receiver

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No. 006875 of 1988

IN THE MATTER OF CROWN TELEVISION PRODUCTIONS P.L.C.
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated the 18th day of January 1988 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on 22nd January 1988.

Dated this 27th day of January 1988

Clifford Chance,
Royex House,
Aldermanbury Square
LONDON
EC2V 7LD

Solicitors for the Company (Ref. RWC)

Public Notices

Petition for Confirmation of Reduction of Capital
(Pursuant to the Companies Act 1985 Section 136 (1))

NOTICE IS HEREBY GIVEN That in a Petition presented by The Scottish Mortgage and Trust Public Limited Company, having their registered office at 3 Glenfinlas Street, Edinburgh, EH3 6YY, for confirmation of Reduction of Capital, an Order was pronounced by the Inner House of the Court of Session at Edinburgh on 28th January 1988 to appoint a copy of said Petition to be intimated on the walls of Court and advertisement of said Order; and further to allow any person claiming an interest, if they intend to show cause why the prayer of the Petition should not be granted, to lodge Answers thereto within twenty one days after such intimation and advertisement.

BIGGART BAILLIE & GIFFORD,
Solicitors for Petitioners.
3 Glenfinlas Street,
Edinburgh, EH3 6YY.

Company Notices

BRITISH OXYGEN FINANCE
B.V.£50,000,000
11¾% Guaranteed Bonds 1991

US$100,000,000
10¾% Guaranteed Bonds 1990

Holders of the above Bonds are advised that the Annual Report and Accounts for the year ended 30 September 1987 for British Oxygen Finance B.V. and The BOC Group plc (the Guarantor) are available from The BOC Group plc, Chertsey Road, Windlesham, Surrey GU20 6HJ.

Art Galleries

"VIRTUE THE FIRST PAINTER: AN ENDEAVOUR, CONTENT TO DWELL IN DECENCY FOREVER" Alexander Pope. Some Bizarre Illicit Exhibitions the January Group Show - DECENCY. Until February 9th. Discreetly Bizzare Gallery, 165 New Cavendish St. London W1. (01) 631 3140. Opening times: Tues - Sat 12-7.30pm

هكذا من الأصل

Don't forget King Canute

ANTHONY HARRIS
in Washington

THE WALL STREET bond market last week got very excited over a mere preliminary report suggesting that American consumers might be becoming a little less eager to spend almost the last penny of their incomes.

This is a healthy reminder that governments do not make the economic weather on their own. If the rise in American personal savings is the start of a trend, it could cause a far bigger change than anything that even an active government could achieve.

Indeed, the contrast between the growth of American debt and the almost equally rapid growth of Japanese foreign assets has much more to do with the behaviour of ordinary Japanese and Americans than with government policy in either country, just as Britain's apparently sound finances have much more to do with the North Sea than they do with Mrs Thatcher.

You might think it a bit of a puzzle, then, that economists write so many books about government policy, and so few about ordinary human conduct. Current wisdom about American saving can be summed up in one sentence. It may be about to rise steadily through the next two decades, and turn the US back into a surplus country; and then again, it may not.

That is not the only embarrassment the profession faces at the moment. The central tool of the macroeconomists, who study and try to forecast the behaviour of the whole system, is the economic model, and forecasts based on such models perform quite well.

However, it is also possible to forecast the economy without using any economics at all. It is done with the same mathematics which engineers use to control the behaviour of chemical works and other large, complex systems, with the whole thing reduced to a single, extremely complicated equation, which is not based on any supposed understanding of how the system works, but simply on observations of how it behaves. The embarrassing thing is that these forecasts tend to work better than even the most highly developed systems based on economics.

(This does not mean that economic advisers will soon be out of a job, because the engineering models, while they could be very valuable to business people, are quite useless to governments. The engineering model implicitly forecasts changes in government policy along with everything else, but does not tell you what these changes are; so you cannot play with alternative scenarios, which is the essence of the game called policy-making.)

With this background, you will find it easier to understand why economists seem to have so little to say about this vital question of private saving. The question has been studied again and again: there are dozens of theories, based on income growth, on the cash value or the real value of family assets, and especially on demography, to explain changes in saving. Unfortunately none of them seem to work very well when applied to the facts of the past - "backcasting", as the practitioners call it.

There is also, so far as American behaviour is called, a most annoying engineering-type observation, known as Dennison's Law, which says simply that the saving of the private sector as a whole, companies as well as people, is a constant proportion of national income. This makes no kind of sense, which makes it very hard to feel any confidence in it: but for about 25 years it has been closer to the truth than any other statement you can make about savings.

Is this another black box model which is going to make studious economists look silly? I am going to risk looking silly myself, and say that I believe that Dennison's Law is about to be disproved. The argument is based largely on simple faith. Everyone knows that the balance of family finances changes through the years.

There would be no space here to go into the details of American demography, even if I knew them: but fortunately there is a short cut. Every working US citizen pays into the social security fund, and every retired American, even the rich, draws an income from it. Private pension funds, and indeed, individuals saving for their retirement, must behave something like the official fund. Luckily the official fund reports to Congress about its finances and prospects, so we know all that actuaries can tell us about its future.

The facts are fairly spectacular. Thanks to the fact that the post-war babyboomers are entering the paying-off and accumulating stage of their lives, and also to the fact that past scares about the solvency of the fund have inspired some increases in the social security tax, it has just started a swing from deficit into enormous surplus.

Last year the surplus was a modest $10bn or so, and this year it will increase to about $25bn - a pretty small dent in a national deficit of more than $150bn. By 1990, though, the surplus will be up to $40bn. Its growth will then accelerate into the early years of the next century, peaking at over $170bn in 2005. It then starts a quick slump back into deficit: but that is nearly 20 years from now.

If this even vaguely represents the behaviour of private pension provision, then American citizens will soon be putting on an almost Japanese display of thrift.

Of course, if the slower spending of US citizens caused a collapse in corporate profits, so that companies had to borrow to buy plant rather than just for takeovers, we would be back with Dennison's Law, and today's conventional wisdom would be right after all. At the least, though, the social security figures suggest that the bond market could be right. The figures last week were not all that dramatic, even if you take them at face value, and they are probably inaccurate too: but as King Canute might have demonstrated if he had sat around after his feet got wet, tides do turn. It is hardly a dramatic thought.

INTERVIEW

Read all about him

Raymond Snoddy meets Rupert Murdoch, the chief executive of News Corporation

RUPERT MURDOCH was *offered a clear choice recently* after falling heavily on the ski slopes of Aspen, Colorado, and tearing ligaments in his knee. *He could let the injury* heal naturally, in the knowledge that the leg would never be strong enough to ski on again. Or he could choose a three-hour operation involving the latest microsurgical techniques and stand a good chance of getting back on the piste once more.

At the age of 56, Rupert Murdoch had no intention of giving up skiing; he chose the radical and more painful option. So the chief executive of News Corporation is fighting his current battle – against Senator Edward Kennedy and the Federal Communications Commission – on crutches and wearing enough padding on his left leg to keep an Australian batsman facing the West Indians happy.

He is using every bit of political influence and the best lawyers money can buy to win the right to keep both the New York Post newspaper and his New York television station. He hopes to find a way round the rule that you cannot own a television station and a daily newspaper in the same city.

There have been "Save the Post" marches through New York in his favour and a bill introduced to give the commission back the right to extend its waiver on the cross ownership laws.

But why should Rupert Murdoch be fighting so hard for a paper which has absorbed more than 10 years of his best efforts, losses totalling about $70m which continue to mount, and a product whose lurid headlines have done little for his journalistic reputation?

"The New York Post is a terrific fun newspaper. It is also a daily newspaper with a certain degree of influence in the biggest city in the free world, certainly a lot more influence than any newspaper outside New York or Washington," said Mr Murdoch last week.

As he talked – propping his injured leg on a copy of The Times Atlas of the Bible, one of the many books scattered around his New York office – the phone rang. The lawyers had won a 45-day waiver from February 11, easing the time pressure on any forced sale of the Post. "Terrific. That's unprecedented. It tells you the court is outraged by the Kennedy thing," said Mr Murdoch, becoming very animated.

Yet despite the small tactical advance and the obvious attraction of trying to win, Rupert Murdoch appears to be planning what will probably be the biggest strategic retreat of his career.

"My ideal situation would be to hang on to it and fight and turn the paper round somehow. But if that's not possible, the best thing is to deal with it as fast as possible."

He is now looking at a series of offers and expressions of interest for the New York Post. The suitors include Mr Robert Maxwell, publisher of Mirror Group Newspapers.

Mr Murdoch was talking in his sixth-floor headquarters at the top of the New York Post building – an office with a fine view of the East River, obscured last week by heavy sleet. Despite the scale of his empire, he says he still picks up the telephone when he sees something he doesn't like in his London popular daily, The Sun. It is a paper he admires because "it laughs, it knows what its doing, it's unpretentious and healthily anti-establishment."

But Mr Murdoch accepts that sometimes accusations of bad taste are well founded. "We had an editorial the other day which went just 10 per cent too far about Australian aboriginals. It was fair enough to point out what white men had done for Australia and what the black men had done and what the problems are today. Somehow it got abusive about aborigines as aborigines.I had no hesitation about picking up the phone."

The Sun editorial, "Salute from the Poms", described aborigines as treacherous and brutal people who had acquired none of the vital skills, arts or graces of civilisation. "Left alone, the Abos would have wiped themselves out," it added.

Mr Murdoch says he never interferes in the editorial decisions of his two London quality papers, The Times and the Sunday Times – though critics say this is because he choses editors who think like him on major issues.

"I don't interfere with The Times because of this business of independence. I confine myself to talking about the appearance, the writing and general content of The Times. I don't tell Charles Wilson what editorials to run. It's all I can do to read them let alone contemplate writing them," said Mr Murdoch.

But what if Mr Wilson suddenly started writing editorials backing the Labour Party and highly critical of Mrs Thatcher (whom Mr Murdoch says is "wonderful")? Would he have the freedom to do so?

"Sure. But it would depend on how he did it and on what grounds. I'm not sure there wouldn't come a point when I would go to the national directors (the guarantors of the paper's editorial independence) and say: 'What do you think of this? Is he acting rightly or do you think he's lost his mind?'"

He is philosophical about those who try to portray him as "a right-wing monster," although he concedes that with age he has become "a little more conservative" on social policies and believes that a radical market-oriented society brings the most freedom and justice.

He says his Presbyterian genes are very strong - his paternal grandfather was first Moderator General of the church in Australia. But, in contrast, his maternal grandfather was a great gambler. "It was always my father's great fear that those genes might predominate. I don't think they have but they are there. I've always taken gambles in my life which my father would not have done. But I've also had the Presbyterian grit to overcome them when I've made bad gambles," he said.

"I know how I'm perceived here or in Australia or England from time to time. You're a hero one day and a menace the next. These things pass," said Mr Murdoch, who tends to end a long sentence or emphasise a point with a broad, rather mechanical, grin. Most of his papers supported Labor in the last election in Australia, he points out, and adds that it was the move to Wapping that gave him a right-wing image in the UK.

At the time he was conscious that taking his titles to Wapping was a historic act that would change Fleet Street for ever and perhaps even the mood of the country. But he was still surprised by its effect. "I didn't think the others would catch up so fast." He thought the unions would stop sitting outside Wapping, and confront the other proprietors to make sure they prevented similar job cuts at other papers. "Instead they spent a year shouting at me and they were then so traumatised that the whole game was up," Mr Murdoch said.

How important was Eddie Shah (who launched Today) in the newspaper revolution? "We were a little naughty there. We built Eddie up a lot because we wanted the attention elsewhere. But it (Wapping) made Eddie possible because they were at my gate instead of burning him down."

Mr Murdoch inherited a newspaper business worth £150,000 on the death of his father in 1952 and turned it into a business worth A$4bn. But what keeps him running so hard?

"An old friend said I was simply a fidgit. But I would like to create a great professional media company," he says.

As he continues to build his business, organic growth is likely to be more important than large takeovers. The publishing empires which might attract him are either too big or have too many takeover defences – and he's " too lazy or too old " to go round buying up tiny newspapers like a Lord Thomson or Conrad Black, the Canadian proprietor of the Daily Telegraph.

There is, of course, his interest in the Financial Times. Although he has built up a 20 per cent stake in Pearson, publishers of the FT, he says that he has "absolutely no plans" to take over either. Instead, he would like to form a joint venture to launch an American edition that would rival the Wall Street Journal, but warns that if Pearson insists on regarding him as hostile "that could turn me into a hostile person".

Mr Murdoch intends to strengthen News Corporation's management so that he has more time to worry about "the creative side" and on getting his hands on "the tons of money" that are out there if he can make a success of his biggest gamble – the creation of a viable fourth US television network from his loss-making Fox Television.

But what, over a career of more than 35 years, does he most regret?

After a very long pause Rupert Murdoch – the man the Columbia Journalism Review once called "a sinister force in our lives" – replied: "I like people, I trust people. Perhaps I'm too trusting and it's got me into trouble a few times. But that's a quality not a fault."

●PERSONAL FILE

1931 Born March 11. Educated: Geelong G S, Worcester Coll, Oxford
1953 Takes charge Adelaide News after death of father Sir Keith Murdoch
1965 Launches The Australian
1976 Buys the New York Post
1981 Acquires Times Newspapers
1985 Becomes American citizen
1986 Moves all his UK national titles to Wapping

When the truth is on trial

JUSTINIAN

NO REASONABLE commentator on the decision by the Lord Chief Justice and his two judicial brethren in the Birmingham Six appeal could seriously impugn the correctness of their judgment, that the conviction of the six 13 years ago by a jury was both safe and satisfactory.

Yet, why is it that many reasonable people nevertheless remain unhappy at the conclusion of the legal process? The paradox is to be found in the English system of criminal justice.

The case came to the Court of Appeal only by virtue of the Home Secretary referring the matter to that court, after he had been persuaded by some fresh evidence that on the face of it put the convictions in question. The Court of Appeal had previously entertained appeals by the six, following their convictions all those years ago, and had dismissed them.

Unlike other legal systems, the appellate process could not thereafter be invoked by the prisoners directly at any time that they might possess fresh evidence. Our system adheres passionately to the principle of finality in legal proceedings. The hurdle of persuasion on executive government to breach that principle is formidable. As an obstacle to invoking the criminal process it is questionable. The courts themselves - perhaps exceptionally - should be accessible to disgruntled prisoners who can demonstrate that they have suffered a possible miscarriage of justice. Courts should be prepared to consume their own smoke.

In 1982 the Select Committee on Home Affairs recommended the setting up of an independent review tribunal, but it has found no favour with government.

Under the reference system the Court of Appeal is primarily concerned to test the credibiity and the weight of the fresh evidence. It inevitably starts from the premise that the jury's verdict is inviolate unless and until something crops up to create the lurking doubt of the prisoner's guilt. It is not a re-run of the trial process.

The Court of Appeal must do the best it can by asking itself the question: would the jury, if it had heard this fresh evidence, come to a contrary conclusion? The only escape from this difficult, intellectual exercise is to go back to square one and order a retrial. The Lord Chief Justice roundly rejected this possibility.

This was not merely a favourable approach to the case for the Birmingham Six, since any lurking doubt about their convictions would mean their instantateous release, instead of the ordeal and uncertainties of a second trial. After so many years a fresh start would involve the rehearsal of stale eye-witness testimony and expert evidence from forensic scientists that more effectively seal the fate of the accused.

There would be no guarantee that the tests for nitro glycerine on the accused's clothing would be differently viewed by the fresh jury. And even supposing the defence succcessfully negatived the Crown's forensic evidence, it might not outweigh the prisoners' admissions made to the police.

It is the very nature of the English criminal trial that makes for difficulties in satisfying the public outside the courtroom that the jury's verdict is sound and convincing. The one person who knows for certain the truth or falsity of what he is accused is not obliged to give an account of himself at any stage of the process.

The Englishman's insistence on the right to silence may be a wise precaution when faced by his accusers during the period of criminal investigation away from immediate judicial control. But does it make sense to provide this protection at least in the face of the trial court? Other civilised legal systems not only begin the trial proceedings with the questioning of the accused, but also inject into the process at the early stages of criminal investigation an examining magistrate who sifts and analyses the evidence as it accumulates. If at any stage the Brimingham Six had given their version of events and been subjected to cross questioning a clearer picture of what really happened might have emerged.

The essence of the English criminal process is that it is not tailored to the pursuit of truth.

In the case of the Birmingham Six we do not even know the truth about the treatment they received immediately after their arrest. All of them undoubtedly had been roughly handled by the time they appeared before the Birmingham Magistrates Court on remand.

The police were exonerated by the trial judge at Lancaster Crown Court from allegations of physical violence to the prisoners; instead it was alleged that the beatings were inflicted by prison officers at Winson Green Prison. At their trial the prison officers were all acquitted without giving evidence on their own account, the subsequent civil action brought by the Birmingham Six against both police and prison staff was stopped in its tracks.

Lord Denning's reason for preventing a trial by judge alone in a civil court was that if the six were to succeed it would be so damaging to the administration of justice that it could not be countenanced. If anybody wishes to put the finger of blame on our system of justice for the unlawful treatment of the Six it was that earlier Court of Appeal judgment that should be faulted, and not last week's fully reasoned decision not to disturb the conviction recorded by jury after a lengthy trial.

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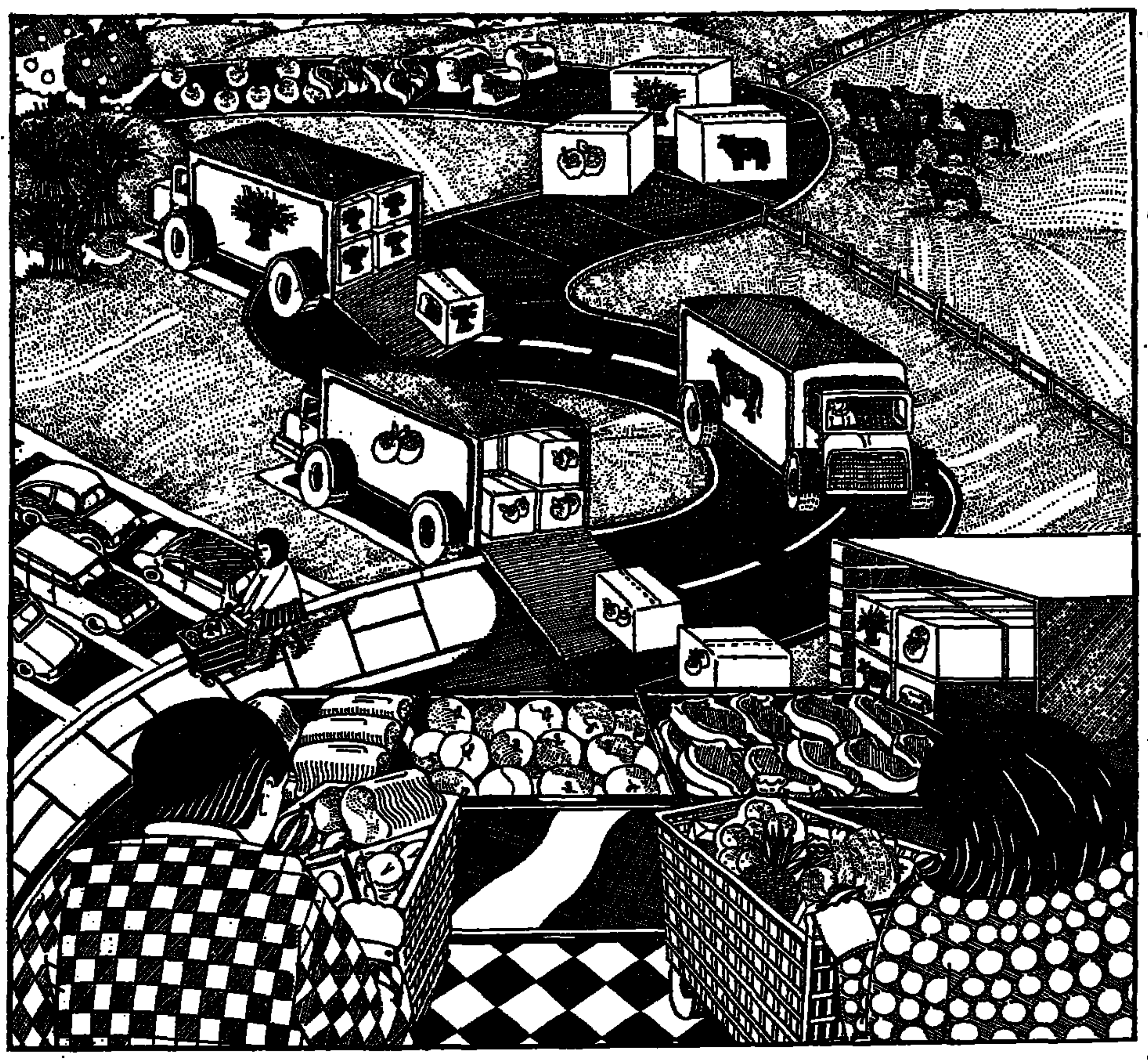
FINANCIAL TIMES SURVEY

Attention has swung back to home and potential EC markets. Food processing has developed into one of Britain's most active industrial sectors: manufacturers are taking advantage of low raw material costs and the consumer's developing taste for quality, reports **Christopher Parkes**



The Food Industry

CONTENTS

Illustration by Nicole Nelson

European food for thought

THE TACTICAL withdrawal continues from points west. Northern Foods is now to all intents and purposes out of the US. Cadbury has pulled in its horns, and in the latest retreat United Biscuits sold off the olives, salad dressings and spices business which comprised its transatlantic Speciality Brands division.

For most European food manufacturers — with the exceptions of long-established and broadly-based Unilever and Nestle — North American activities have in the past five years been boiled down to consolidation of strong niche operations. Cadbury, for example, has won respect for its handling of the Peter Paul confectionery acquisition of 1978. United Biscuits' remaining interests pivot round its successful Keebler subsidiary which survived, indeed thrived, on the cookie wars.

The time may come again, when the lessons have been digested, for a fresh assault on the US. But for the moment, attention has swung back to the home market.

With margins at historically high levels, raw material costs stabilised at bargain rates, and sharpening consumer tastes for quality coupled with a willingness to pay, food processing *has developed into one of the* country's most active industrial sectors. Outside interest has also been sharpened lately by experience which has shown food manufacturing to offer a relatively strong redoubt in times of bear markets and recession.

The attention General Cinema of the US has been paying Cadbury Schweppes, and Australian Goodman Fielder's forceful courtship of Ranks Hovis McDougall, have helped highlight the attractions of the British industry.

As a substantial, innovative, sophisticated market, supplied by some of the most technologically advanced processors in the world, the UK has many inherent advantages. From its position on the doorstep of the Continent, it also offers enticing prospects. Despite appearances, momentum is gathering behind the European Commission's internal market project which is intended finally to open up the European Community into a 12-nation free trade area by 1992.

The politically fraught process of tearing down the barriers, tariff and non-tariff, introducing VAT on food in the UK, and harmonising widely-differing duty rates on liquor and other products, is likely to *take longer than expected, and* 1992 seems an optimistic deadline. However, there are signs enough that, however tentative the political process, some manufacturers are actively preparing for the eventual emergence of something resembling a true common market.

CEAS Consultants, a group attached to Wye College, part of the University of London, recently warned that the British food industry stood to lose out if it failed to remedy its ignorance and shake off its scepticism about the internal market.

The group reported that very low awareness in Britain contrasted with a high level in France, where the government itself was actively campaigning among industrialists, and manu*facturers subscribed readily to* on-line databases and seminars which were being used to spread the word.

Doubtless, one reason for the agitation in France is the highly fragmented nature of the consumer products industry. Independent companies which have been built up largely in the last 50 years from family concerns tend to resist agglomeration in the interests of preserving their sense of identity.

One of the concerns highlighted in the CEAS report was that far-sighted food manufacturers from outside the Community might be attracted in by a premise of the internal market proposals that any product manufactured in any community country should automatically be allowed access to all *member states — and their* 300m consumers. *Many* international investors have been deterred in the past by national regulations and tastes which have often obliged them to tackle the European market by setting up separate operations in each country.

Diversity of tastes and the relatively low use and poor quality of processed foods on the Continent are considered in some quarters to offer obstacles more daunting than any amount of legislation. But times are changing.

That ready-to-eat breakfast cereals and microwave ovens figure high on the continental list of best-selling consumer products is no accident. Starting from a nil base, sales are bounding ahead in the crucial West German and French *markets. The boom in ready-*prepared microwaveable meals sweeping the US and the UK has yet to gain momentum in mainland Europe, but with convenience foods starting to win adherents, their day will doubtless come.

According to market researchers at Euromonitor, the day of the cornflake — one of the earliest convenience foods, which has the modern-day merit of being "healthy" — has already arrived in the Community. It cites a recent rapid rise in consumption of ready-to-eat breakfast cereals in France and Germany — sales have doubled in the past three years — as evidence that US companies' persistence may at last have paid off. Annual sales in these two countries and Italy are forecast to reach almost $400m a year in 1990 from around $60m in 1980.

Manufacturing plans of the companies which will benefit most — Kellogg, Quaker and CPC of the US, and Nestle from Switzerland — share certain common characteristics. The most noteworthy in this context is that they manufacture a range of products which is proving saleable all over Europe. As a consequence, they do not need *several factories* churning out regional variants in several Community countries.

Their current dominant position *could only be reinforced* by the consequent economies of scale, and the chances of any indigenous companies making worthwhile inroads in the new sector are likely to be slight.

Nestle has already centralised all its cereal manufacturing capacity in a single factory in Belgium. It has emerged as Kellogg's most vigorous competitor in little more than two years, and is now planning to apply its centralised production policy in other sectors, too.

Kellogg, the market leader in every country where its products are sold, has been established in Britain for more than 50 years. It opened a second factory in Bremen, West Germany, in 1963, and can probably expect to supply the whole of Europe from these two sites alone.

CPC, manufacturer of Knorr, Hellmann's and Mazola, bought the Banania cereals business — fourth in the French league — a few weeks ago from Cadbury Schweppes. The British company had picked it up as part of its purchase of the Poulain chocolate concern. Combined with its existing Maizena operation in Germany, CPC now has a substantial presence in a real growth sector in the Continent's two biggest and richest consumer markets.

Taking a more direct approach, Sara Lee Corporation of the US has paid more than $600m to buy a Dutch food and consumer products business owned jointly by Akzo and Royal Dutch/Shell, giving it a broadly based European division turning over almost $3.5bn.

Most British companies operating on the Continent, by contrast, are involved in mostly saturated or highly competitive niches such as snacks and biscuits. There are few with Sara Lee's breadth or a grip on an international growth market to match that of Kellogg's.

However, they are far from idle. At home they are making the most of low raw material costs, investing heavily, and exploiting the high added-value opportunities offered by the British consumers' developing taste for quality and declining interest in food simply as fuel.

This apparent change in attitude — credited for some of the revival of food manufacturers' *fortunes — has yet to show* through at what might be called the national bottom line. According to the latest edition of Social Trends, the percentage of consumer expenditure going on food took another drop in 1986 to 13.8 per cent (it was 17.9 per cent in 1978). The proportion is still among the lowest in Europe, and in 1986 real spending on food was still only 7.3 per cent higher than in 1975, according to GIRA, the Geneva-based research organisation.

From analysis of new product successes over the last 10 years, GIRA has divined three dominant forces driving demand in the food market: healthy eating, indulgence and convenience. Of 26 products each with sales of more than £20m examined in 1986, 20 were drawn from six sectors which fit this pattern: yellow fats substituting for butter and conventional margarines, chocolate confectionery, milk and yoghurt products, frozen convenience foods, bread and soft drinks.

With a clearer idea of what *consumers want, major manu*facturers have responded and been rewarded. Many new generation food companies catering for niches within the health, indulgence and convenience matrix have been readily supported by retailers such as Marks & Spencer and Sainsbury, and have developed into sizeable concerns. Inevitably, larger processors have imitated them (who would have imagined 10 years ago, a company the scale of Northern Foods making sandwiches for national distribution?) and begun to assimilate them.

The restructuring cycle is well under way, bigger fish are gobbling up the tiddlers as fast as they hatch, while foreign predators lurk in the deeper waters awaiting the opportunities which could bring them into prominence in the UK and within reach of potentially greater catches across the Channel.

Price cutting has been superseded by value for money

Major groups go shopping

DURING THE years of high inflation food retailers – however much they deplored rising prices – found that they possessed a tremendous marketing tool. The easiest way to attract customers was to play on their desire to keep the price of their "shopping basket" down. As a result, the price wars of the late seventies broke out.

Since inflation has abated, and food price inflation is now even lower than the rise in the general retail price index, the food retailers have had to find other ways to expand their turnover and market share, and so keep their profits growing to the satisfaction of shareholders. A price cutting campaign now would probably not work.

One retailer estimates that it would take a 20 per cent volume increase to compensate for the fall in margins caused by price cutting. Any store which could cope with that sort of volume increase must be so unpopular with customers that price cuts would be unlikely to persuade them to come in.

One result has been a distinct shift in the offer to customers from price to quality, and value for money rather than the cheapest possible. Higher margin fresh foods are taking a greater proportion of space within supermarkets and superstores. More added-value convenience products are available, not only helping consumers to save time preparing food, but boosting retailers' margins into the bargain.

Another, connected, effect has been the increasingly rapid expansion by the major food retail groups, J Sainsbury, Tesco, Asda, Argyll – which now owns Safeway – and Dee Corporation. The emphasis is on superstores – shops with a selling area of over 25,000 square feet. Not only does the space enable more customers to come through the shop, thus making economies in overheads, but it allows stores to offer a wider range of goods, more fresh produce, in-store bakeries and non-foods.

As the major groups race to open new stores, between them spending billions of pounds in the process, a cloud is appearing on the horizon. Since the food market is static in the UK there must be a limit to the expansion of the major groups. Although the market shares of the handful of top operators are still rising the competition for every pound the consumer spends is now intense. That begs the question of whether the huge investments being made will earn a good return.

Will the huge investment in new stores earn a good return?

A recent example of the fight for business is the takeover bid by Barker & Dobson, which owns the Budgen supermarket chain, for Dee Corporation. As the major supermarket groups have amalgamated – including Dee's own purchase of Fine Fare less than two years ago – the chances of a small operator making it into the big league by organic growth are minimal. Thus only the acquisition of a big group can give Budgen the size which brings the economies of scale and buying power vital for the group to compete.

Other food retailers are also becoming more aggressive. The Co-operative movement, with its once huge market share that has dwindled over many years, is now fighting back. The Co-operative Retail Society, which groups together a number of formerly independent societies, now claims a market share of 4.2 per cent and a figure of 12.5 per cent for the movement as a whole, with a turnover approaching £5bn.

The CRS is keen to throw off the "cloth cap and clogs" image and join the move towards opening larger superstores. Like other food retailers, the CRS has been closing down its smaller supermarkets which it believes are no longer viable.

The polarisation of food retailing between the superstores – where customers can do a week's or even a month's shopping at a time – and corner shops or convenience stores where top-up purchases are made. The latter offer good opportunities to the wholesalers. The only group appearing to go against this trend is Budgen. Barker & Dobson has said that if its bid for Dee succeeds, it will sell that group's superstores and concentrate on the supermarkets.

Other food retailers doubt the wisdom of that plan. "The problem with small stores is that they cannot sustain the volume to give the net margin. The dynamics of the larger stores are such that the volumes support the high quality fresh food and thus the net margins," says one.

One result of the shift to larger stores is that retailers can stock a wider variety of brands. In smaller supermarkets there is frequently only room on the shelves for the top one or two brands plus the retailer's own brand. In those cases smaller manufacturers must fight for every inch of supermarket shelf space, and the best way of doing that is by filling a niche in the market rather than trying to copy the brand leaders.

Mr Tom Vyner, Sainsbury's assistant managing director (buying and marketing) points out that larger stores help the food manufacturers since more brands can be stocked. The arrival of scanning equipment at the check-outs also benefits both retailers and suppliers: greater information is available on which lines are selling quickly, enabling faster reordering.

Indeed the relationships between food retailers and food manufacturers seem to have been improving for sometime. During the price wars retailers were passing on some of the pressure on their margins to suppliers. Over the last few years food manufacturers' margins have been rising with the retailers'. The scope for prepared meals is still large despite the progress already made, and here there is much more co-operation between retailers and manufacturers.

While food retailers have been merging, suppliers have been, too. And though much public attention is focused on the increasing market shares of the major retailers, in many product areas the suppliers have a far more dominant position. Says Mr Vyner: "The largest food retailer has a 12 per cent share of the total food market. There are 36 product areas where one manufacturer has over 50 per cent and one where one manufacturer has over 90 per cent of the market. The power of the retailers is balanced by the enormous power of the manufacturers."

Maggie Urry

Food processing

Industry treads on eggs after additives attacks

THE UK food processing industry has spent the last two years casting off E numbers and assorted additives like a cat shedding fleas. The process has not had any great effect on the industry's general health or its products – and none is yet discernible in the consumers' condition – but the reduced irritation has certainly made life more comfortable.

How long the lull in the anti-additive lobby's attacks will last is anybody's guess, but it has far fewer targets to aim at. With quite remarkable speed the food industry dispensed with a wide range of artificial colours and preservatives, adapting processes and products to the new demands of retailers and shoppers.

Although the flak has died down, it is clear that future developments in food technology will be closely monitored both by consumer watchdogs and the retail trade. The industry will have to tread carefully.

Amid the demands for "fresh and natural" foods, there is little apparent concern on the public front for the health risks and extra costs which may be incurred in their satisfaction.

Reported cases of salmonella poisoning have been increasing steadily in recent years, and the rate of rise shows no signs of abating. Responsible manufacturers and retailers are meticulous in their hygiene standards, but others are less so, and it may take only one local outbreak of food poisoning to bring the lobbyists down on the head of the whole industry. Because of this and the antagonism towards "chemicals" the additives makers' search for "natural" alternatives has developed a new momentum.

One path they are following, for example, leads back to antiquity, and the preservative qualities of herbs and spices used to good effect by Egyptian embalmers. It is still common in Africa for meat and fish to be sold laden with up to an extra 10 per cent by weight of assorted spices. A little overpowering for meek European palates, maybe, the techniques are being explored again in an attempt to isolate the specific antimicrobial agents present in items like tea leaves and rosemary.

Under the influence of retailers tired of high wastage rates on the meat, vegetables and chilled products counters, processors and their suppliers have resurrected and perfected another aged technique which can add valuable hours or even days to the shelf life of certain products. "Modified atmosphere packaging" – products are sealed in containers in which the available air space is filled with various gas cocktails – is growing quickly in popularity. According to researchers at Marketpower, British consumers bought some 900m of these packs last year – far more than in any other European country.

The notion of modifying the atmosphere surrounding foodstuffs dates back to the 1880s. Combined with refrigeration it was exploited for bulk produce in the 1930s. It is still widely used for preserving fruit in large chambers where the proportion of oxygen in the local atmosphere is reduced, and the nitrogen content increased to slow down ripening.

Food and packaging companies are busy seeking to enhance the benefits of packing fruits, vegetables and bakery goods in nitrogen or carbon dioxide, by developing new impermeable plastic materials which will help keep the modified atmosphere stable, and allow the use of the technique in bulk shipments, thus saving on refrigeration for pallet loads of goods.

Since goods packed in modified atmospheres do not have to be labelled as such, consumers are largely unaware of the process.

However, they are all too aware of irradiation. In the two years since an official committee investigating the pros and cons of using nuclear radiation as a means of pasteurising and temporarily preserving fresh foods reported that it was harmless and potentially useful, the Ministry of Agriculture has received some 5,000 opinions from manufacturers, retailers, consumers and lobby groups. Almost all were against its introduction.

Indications are that even if it is given an official green light, no one will apply irradiation at a commercial level. The notion appeals to Scottish soft fruit farmers, who would much prefer to send conditioned raspberries southwards in punnets, rather than sell the bulk of their crop to jam makers. But there is a vast gap between their special concerns and those of multiple retailers who are unlikely to allow their produce racks to be "contaminated" by the presence of irradiated fruit.

Beyond the public gaze, most food manufacturers and additive makers are still following the "natural" path. They are seeking out vegetable and animal products, derivatives and "nature identical" food components which will provide cost-effective and lobby-proof alternatives to displaced chemicals.

Enzymes, for example, are being put to work by cheese industry researchers. Hard cheeses, such as cheddar, need up to 12 months to mature and develop a true flavour. But the judicious addition of enzymes can reduce this to two months, cutting inventory and storage charges, and slicing up to 5 per cent off manufacturing costs.

No consumer or lobby objections yet. But government permission is still needed to allow commercial application, and there is still the matter of stopping the enzymes' processes. Experiences so far suggest that while treated cheese will develop more quickly, it will continue to mature almost to the point when it is capable of walking.

Christopher Parkes

Beans are left to carry the can

CONSUMERS ARE turning away from canned food in most industrialised countries. According to market researchers at Market Direction, aggressive marketing of low-salt, low calorie and "natural" canned goods has helped in the US, where sales have fallen 20 per cent in the past five years, but the overall trend is still downwards.

The company reports falling sales in the US, UK and West Germany, with the French and Italian trade being shored up by new developments in canned prepared meals and new tomato products.

Canned meat is losing favour everywhere, except in West Germany (tinned sausages are a staple), while tuna is gaining ground.

European fruit canners are asking for grants to defray the costs of floating their pears and peaches in juice rather than sugar syrup, and thus make them more competitive, but Market Direction sees little hope of a general upturn in demand. For the UK and the US, as in the past, the product proving most resistant to the trend against the can is the humble baked bean.

● *Market Direction Report 1.2, Canned Foods. Euromonitor, 87 Turnmill Street, London EC1M 5QU. Tel. 01-251 8024.*

Nick Garnett looks at the food processing equipment industry

Continuing to restructure

MANUFACTURERS of food processing equipment are facing a barrage of pressures and changes which show no sign of letting up.

Many of them are having to come to terms with a shift in the requirements of the food companies: the fragmentation of the food market means there is a premium on equipment flexible enough to handle a much broader range of products.

At the same time, the big food and drinks companies are increasingly seeking turnkey deals where one equipment maker acts as the main supply contractor for a whole food plant.

While all this has been going on, a number of machinery makers have adopted a very aggressive, expansionist stance which has translated into a clutch of takeovers and mergers. Two companies, Alfa-Laval of Sweden and APV in the UK, have been at the centre of this.

If this were not enough, machinery makers in some types of food products like milk-based goods are having to commit money to emerging technology, for example membrane separation, if they want to stay as serious players in the field.

Total exports of food processing plant totalled $2.2bn in 1985, the last year for which global figures are available. Main producers include West Germany and the US, Italy, Sweden and the UK, and a number of other European countries such as Denmark and the Netherlands.

Total sales of food equipment made in the UK totalled £223.5m in 1986 of which £159.7m was exported, according to the food equipment committee of the UK Process Plant Association. With imports at £148.3m, this gives an apparent market for machinery in Britain of £212.1m.

The global market for food machinery is a healthy and growing one. A number of major changes and opportunities look as if they are about to burst onto the market though some of the targets companies have in their sights are still a long way off.

Opportunities, for example, may be opening up gradually for dairy-based products in the Far East, where people are not used to having significant quantities of milk and milk-derivatives like cheese in their diet. New processes allow for the production of milk-based products more acceptable to the Asian stomach.

APV and Alfa-Laval are probably the two largest food equipment makers in the world, though there are many areas of processed food in which they

Continued on p3

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Christopher Parkes reports on own-label goods

Brand new thinking

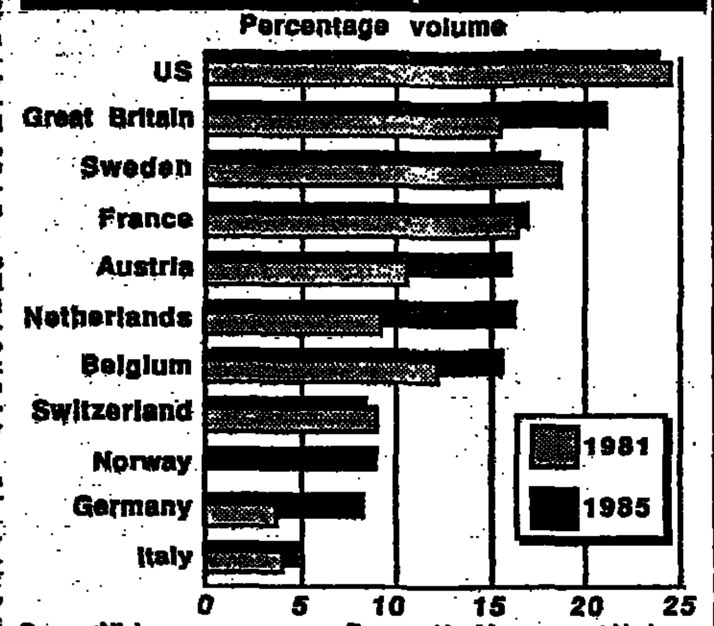
AS LITTLE as five years ago the UK market for chilled, ready-prepared meals barely existed, yet it is now worth about £130m a year and forecast to approach £200m by 1990. This business, the fastest-growing sector in the food trade, was discovered, exploited, and continues to be dominated not by a manufacturer but by the retailer, Marks & Spencer.

Other supermarket chains have been quick to follow, and have found little difficulty in turning up ambitious manufacturers willing to produce to specification. The result is that chilled ready meals have emerged as the first major market segment to be dominated by own-label goods.

Some mainstream processors responded by launching similar products under their established brands, although they have yet to find any great success. Others, as in the case of *Rank Hovis McDougall's swoop* on Avana Foods last year, have made the best of it and bought companies which specialise in own-label chilled meal production.

Market share of private label

Percentage volume



Source:Nielsen Prepared by Management Horizons

The incidence of private branding has been spreading steadily in the food trade, and ranges from 100 per cent in the case of Marks & Spencer down to around 20 per cent at Asda, which was relatively slow to adopt an own-label policy.

The proportion of goods sold in this fashion appears to relate directly to consumers' perception of the quality image of the retailer concerned. On this basis, the proportion of Sainsbury's goods marked with the company name is the highest in the grocery multiples sector at over 50 per cent.

There is considerable debate about the ceiling, and to some extent it depends on the branded foods manufacturers' will to resist. Some have held out doggedly against manufacturing under retailers' labels. Companies like Rowntree Mackintosh, Heinz and Kellogg stoutly refuse to make copies of their prized brands. They see no reason to collaborate in schemes where they spend millions a year on advertising to attract customers to the shelves where their products are displayed alongside what are termed "knock-offs" at lower prices.

Dr John Randall, former head of Avana Foods, described the process as "paying to have my throat cut". Still, there is no shortage of manufacturers willing to oblige. Retailers' brand franchises are now so strong, and most consumers in any case believe that own-label products are made by the leading manufacturers, that this battle is virtually lost.

While many manufacturers and retailers are reluctant to discuss openly their attitudes to the issue, the advertising business has been particularly vociferous in urging food processors to fight by supporting their brands to the full. Obviously, a single retailers' generic campaign, which by implication promotes the store itself and all its own-label offerings, is not such good business for agencies as a series of separate campaigns for individual manufacturers' brands.

One effect of the rise of private label has been to drive out secondary manufacturers' brands. It is now common in most outlets to see only the product from the maker with the highest promotional spend alongside the retailer's version.

Some manufacturers accept the situation, and willingly supply copies of their products as a means of increasing volume and keeping plant used to capacity.

Another effect has been to force manufacturers to become more innovative. Since the only "me-too" lines allowed in many stores are the retailers' own brands, and shelf space is tightening all the time, the processors are having to work harder at coming up with new or significantly different products that offer customers more of a real choice.

A recent study of new products in grocers by KAE Development, the marketing and new products consultancy, said brands from innovators with big promotional budgets like Pedigree Petfoods, Mars, Kellogg, Cadbury, Birds Eye, Lever Brothers, and Procter & Gamble would continue to have an excellent future. "Indeed, in many cases, the chains have volunteered the statement that there is little scope for own-label development in those particular markets," KAE added.

The study also suggests that retailers may attempt to encroach further on the food makers' territory by "designing" their own new products and contracting manufacturers to make them, thus reducing at least parts of the business to something approaching a service industry.

To date, Marks & Spencer is the only retailer which can be considered a product innovator in its own right. But as the others come increasingly up against the limits of growth in the business of marking existing products with their corporate brands, it seems likely that they, too, will become more ambitious. M&S has its own product research department, and other large chains are known to have approached new product development consultancies for their ideas.

Distribution

Move to third party operators

THE CONTRACTING out of distribution by retailers to a third party distributor is an important feature of the food market, replacing control by "doing" with control by information.

Mr Robert Brand, of Wood Mackenzie, the stockbroker, said: "Both retailers and manufacturers are coming to the view that distribution is a specialised art which is different to making products or stacking them on shelves."

The means by which groceries are distributed from suppliers to retail outlets has undergone a profound change over the past 10 years. Mr David Carter, of the Institute of Grocery Distributors, said: "Until quite recently the pattern of distribution was primarily a matter for the supplier. Today it is increasingly the large grocery stores which control the way groceries are distributed."

As part of this trend there has been a move to centralised warehousing by major grocery retailers. Groups with more than 80 per cent of distribution coming from centralised warehouses include Bejam, Kwik Save, J Sainsbury, Waitrose and Safeway.

Mr Carter said: "Partly as a response to the increased costs of distribution, and partly due to the changing nature of grocery retailing, the centralisation of retailer-controlled warehouses has emerged as a viable alternative to direct deliveries to stores."

While many warehouses are actually owned and run by the retailer, there has been a trend towards passing over the responsibility for certain types of distribution to specialist distribution services companies.

The Institute of Grocery Distribution estimates that currently some 29 per cent of grocery manufacturers' distribution is contracted out, 29 per cent done in-house and the rest part in-house and part third party.

Among grocery retailers, according to KAE, the market research organisation, an estimated 23 per cent is in-house, 15 per cent contracted-out and 54 per cent part in-house and part third party.

There are several reasons why retailers, for example, contract out to third party operators. These include:

- Flexibility within a rapidly changing retail distribution scene;
- A valuable insurance policy in the field of industrial relations. For example, if stoppages occur in a retailer's own depot, others contracted out to third party operators can take up the load;
- A reduction in capital investment with a contractor providing all facilities required, including design, construction and purchase of warehouses;
- An ability to capitalise on the transport expertise found in the manufacturing and transport sectors;
- To replace control by "doing" with control by information.

As KAE's figures indicate, a large number of retailers have a mixture of in-house and third party distribution arrangements. Reasons for this include the fact that operating their own depots enables retailers to monitor costs and levels of service by contractors as well as test-bedding their own computer systems.

Contracting out can be a valuable insurance policy

Within contract distribution there is specialisation by contractors in the areas of ambient, fresh, frozen and chilled foods, all of which require specialist handling.

The highly specialised area of chilled distribution is one that has been developed by a number of specialist distributors whose activities have often grown out of distributing their own products. An example of this is Unigate Chilled Distribution which has drawn on the vehicle skills of its sister company Wincanton, which also does some chilled food distribution.

In temperature-controlled distribution, third party distribution is even more highly developed with only two major retailer actually owning facilities. Dedication of plant by the leading distribution services such as Frigoscandia and Christian Salvesen have offered the retailer the required control without the necessary heavy investment in such technology.

Christian Salvesen is involved in both collecting food from manufacturers, taking it to regional distribution centres and then distributing products to stores. Frigoscandia, however, is now concentrating on primary distribution – moving products from manufacturers to regional distribution centres which may be based at their own cold stores.

Other specialist distributors, such as NFC Contract Distribution, then collect from there and supply retailers such as Argyll, Tesco, Gateway and Bejam.

Frigoscandia used to do retail distribution in addition to primary distribution and in 1985 merged this with the retail side of Farmhouse Distribution to form Farmhouse/Frigoscandia. However, Frigoscandia pulled out of the joint venture last year. "We decided to concentrate on areas where we had the greatest expertise," they said – they also process and freeze vegetables supplied to major retailers.

NFC Contract Distribution, in contrast, does little primary distribution. The company specialises in the management and operation of retail distribution centres such as those currently being planned by Tesco.

Three years ago Tesco's supplies came from over 100 sources, with manufacturers generally delivering direct to stores. Since then the group has moved towards centralised depots, with seven depots operated at present by Tesco. Last year a further seven new depots were announced, six of which will be dedicated depots built and operated by third party distributors including NFC, Hunter Saphir and Hays Distribution.

These will be "composite" depots – they will provide space for fresh, chilled, frozen and ambient foods. Retailers claim that these new depots will improve flexibility and efficiency with the use of multi-temperature transport.

The trend towards composite depots has been fairly slow in Britain, according to the industry, it is a development which is gaining momentum. They will inevitably have an impact on a number of third party distributors. Mr David Carter from the Institute of Grocery Distributors, said: "There will be increased pressure on the distribution services sector to provide a wider range of services to their customers." **Lisa Wood**

Restructuring

Continued from p2

are not players. The competitive battle between them has produced a series of acquisitions that is gradually changing the face of some sectors of food equipment making. This is especially affecting machinery supply for dairy-based products, brewing and confectionery.

APV has taken a leap sideways from its liquid food interests by last year's purchase of Baker Perkins, a UK maker of equipment for solid food processing, particularly confectionery, baking and cereals.

Pasilac, the Danish dairy food equipment maker has also been absorbed by APV, together with four companies in ice cream machinery and novelty ice packaging, Vitaline, Promco, Douglas, and Glacier.

A year ago APV acquired a controlling interest in Realsta, a West German valve maker which APV hopes will give it a better entry into the brewing industries of Germany and the US – the latter is rather keen on German-style brewing technology. These acquisitions have helped doubled APV's turnover to about $850m.

Alfa-Laval has not been as expansionary. Its purchases have added about 15 per cent to sales in the past two years or so. It has also withheld from making any sidestep into product areas in which it did not already have an interest.

Its acquisitions have included Formax, a US producer of hamburger-making machines and Cashin, another convenience food equipment builder. It has also bought several valve companies, a few of them – like Triclover and the British company SSP – supplying the food industry.

Many companies, particularly in the US and West Germany, remain independent and tough competitors.

But the moves towards greater consolidation of power through mergers and acquisitions is continuing to affect an increasing number of companies. Almost everyone in the industry believes this restructuring has still some way to go.

Nick Garnett

Lisa Wood reports on the response to consumer demands for 'healthy' food

Low fat, high fibre, with fewer Es

ASK BRITISH consumers about healthy eating and most will say they are concerned about it. At the same time, however, there is a move in Britain towards convenience foods and snacks. Britons, for example, last year munched their way through 5bn packets of crisps (see right) – a seven per cent increase on last year, according to the Snack Nuts and Crisps Manufacturing Association.

Not that convenience foods and healthy eating are necessarily irreconcilable. Dr Roger Whitehead, director of the Dunn Nutritional Unit in Cambridge, and a member of a new committee on recommended daily allowances of nutrients in food said: "People have tended to think that convenience foods must be nutritionally bad. In fact many are just as nutritious as fresh food, although in terms of taste they can be inferior." The key to a healthy diet, said Dr Whitehead, was a balanced diet.

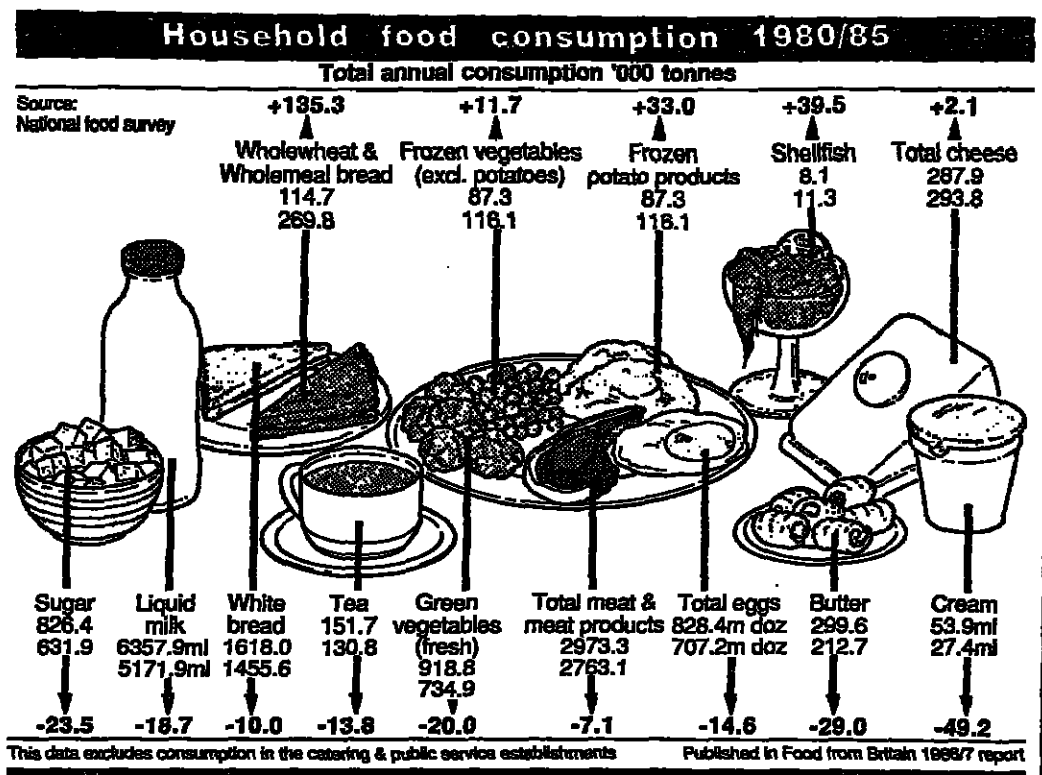
The clearest guidance to date on what constitutes a balanced and healthy diet was provided in two important reports: from the National Advisory Committee on Nutritional Health (NACNE) in 1983, and from the Committee of Medical Aspects of Food Policy (COMA) in 1984.

While NACNE's controversial report included recommendations on reducing sugar and salt – and increasing dietary fibre – the more influential COMA report, which was accepted by the Government, recommended that total dietary fat content should be reduced to 35 per cent of all calories (the current average intake is 43 per cent). It also recommended that the amount of saturated fat should be reduced as a percentage of this.

Although many consumers are aware of these recommendations, it is far from easy to select a healthy meal from a variety of products proclaiming different levels of fat, sugar and salt. The task is made even more complex at times by information on food labels proclaiming that a product has x grams of protein, y grams of available carbohydrate and any number of kilojoules.

Trends in consumption patterns show that while the broad pattern of food purchases has remained roughly the same over the past 20 years marked changes have occurred in the consumption of individual foods. The Food and Drink Federation cites for example:

- Consumption of low fat milks is growing seven times faster than the general market rate;
- Purchase of fresh poultry has doubled;
- Consumption of wholewheat and wholemeal bread has increased;
- Sales of margarines high in polyunsaturates are growing 10 times faster than other margarines;
- Consumption of fruit juices has risen sevenfold;
- Sales of low calorie soft drinks are growing three times faster than their full sugar equivalents.



These trends, along with increased consumption of vegetables, fruit and fish, have to be put into a class perspective. The Household Food Consumption and Expenditure survey pointed out that households where the family head is unemployed tend to spend less on food and eat different types of food from other households – they eat less fresh fruit, poultry, cereals and vegetables and more white bread and processed food.

Consumption patterns are affected by price, with many experts in the food industry believing the swing towards white meat and margarines has had as much to do with price as health.

Nevertheless, according to Euromonitor's latest report on Healthy Foods and Healthy Eating, manufacturers and retailers have responded vigorously to changing consumer demands for low fat, high fibre foods with fewer additives – the latter trend being fuelled by the controversial book E for Additives.

Response naturally varies from manufacturer to manufacturer, depending on their products: some have reformulated products, while others have promoted their foods on a health platform. Yoghurt, for example, has been skillfully marketed as a healthy product with the market growing from negligible levels 20 years ago to a retail value of around £200m in 1985.

In addition, new varieties have been developed without additives and with no added sugar. Chambourcy's Nouvelle range, for example, contains no preservatives, added colouring, or starch. While many manufacturers privately defend E numbers, they are actively addressing consumer concerns by removing, for example, tartrazine from fish.

Concern over fats has provoked a wide variety of responses, with manufacturers creating cream substitutes such as St Ivel's Shape and Brooke Bond's Equal. Similarly, cheese producers are now working on low fat hard and soft cheeses. As yet, however, they have made little impact on the market because of the difficulty of achieving the same taste with half the fat content.

The Household Food Consumption and Expenditure Survey shows a fall in sugar consumption between 1985 and 1986 but notes that this trend reflects the reduction in home baking and preserving. It was the National Advisory Committee on Nutritional Health (NACNE) which raised the spectre of sugar as an evil – a charge vigorously denied by the Sugar Bureau which has produced sheaves of information on the importance of sugar as a source of energy in a balanced diet.

Britain's major retailers have been keen to be seen to be acting responsibly over healthy eating – their move in this direction squeezing, at the same time, the specialist health food outlets. Retailers generally have sought to remove additives from a wide variety of products and introduce low fat foods which can often be sold at a premium price to the health conscious.

Mutiples such as Tesco and J Sainsbury were instigators of nutrition labelling programmes (labelling is currently being scrutinised by the Government which wishes to encourage a uniform system). Companies including Argyll (Presto and Safeway), Co-operative Wholesale Society, Marks & Spencer, J Sainsbury and Tesco provide nutrition leaflets and information to the public.

Information, based on fact, is critical. As Euromonitor points out, as more food receives nutritional labelling consumers will be able to make educated choices.

Lisa Wood

Healthy eating at Safeway: major retailers are keen to be seen to be acting responsibly

Could I have one of your reconstituted extruded savoury snacks, please?

Snack foods

Appetite grows for the convenience crunch

A CHANGE in eating habits, with a general trend away from fixed, regular meals towards convenience eating, has been a major contributor to the growth of the UK snacks market.

Snacks, including crisps, nuts and savoury snacks and cereal bars showed an estimated seven per cent growth in value in 1987, with the total market valued at over £1bn by Leatherhead Food RA, the food research organisation.

It is a momentum which the major manufacturers, including Nabisco (Smith's and Walker's), United Biscuits (KP), and Dalgety, which entered the market with its purchase of Golden Wonder in 1986, expect to be maintained, with the current domination of the three major manufacturers continuing.

Mr David Hearn, managing director of Smith's Crisps, a snacks division of Nabisco Brands, said: "The market place is continuing to grow in total, with a trend towards the major companies which are driving the market with new products. There will still be room for a number of smaller competitors although the market will be tough for them." Rowntree, one of the smaller snacks manufacturers, announced recently it was selling its UK snacks business.

Crisps, the "traditional" snack, make up the market's largest sector. This was estimated to be worth £635m in 1987 and accounted for around 60 per cent of total snack food sales. However, more recent product innovations in segments such as savoury snacks are forces behind the industry's growth.

It is estimated that in Britain 100 bags of crisps, on average, are consumed by every man, woman and child each year. Given that the market is concentrated in the 5-25-year-old age group, the object is to intersperse core products with a variety of others.

Savoury snacks, generally manufactured from reconstituted maize or potato flour extruded to create a range of shapes and textures, have been among the most innovative in the sector: sales are estimated to have grown by seven per cent in 1987 and are worth around £267m compared with £158m in 1982. The market is dominated by KP, Smith's and Golden Wonder brands, with products including Monster Munch, Wotsits and Hula Hoops.

Smaller companies such as Derwent Valley Foods also compete in this sector with Phileas Fogg products. These are aimed at the adult market – an area perceived by manufacturers to offer potential for higher margins.

Mr Terry Price, chief executive of Dalgety, sees the extruded products sector offering strong future growth. The British market is lagging well behind the US', where extruded product sales are nearly as big as they are for crisps. Golden Wonder has about 10 new extruded products in the pipeline, products which Mr Price described as engines for the division's growth.

Innovation has also assisted the nuts sector of the market, which, after fluctuating fortunes in the early 1980s, has regained strength, reaching an estimated market value of £120m in 1987. Exotic nuts and new flavours include KP's flavoured dry roast nuts like Oriental Spice.

The future of the nuts market cannot accurately be predicted, however, because it is more sensitive to foreign crop supplies than other snack products. Leatherhead Food RA, in its report on the snack food market said: "The extent to which manufacturers can keep prices down will be the key to their future success."

Consumer concern about healthy eating has been another catalyst in new product development, with snack food manufacturers being forced to re-assess their products in the light of the debate over fat, dietary fibre, salt and additives.

New products taking these concerns into account include KP lower-fat crisps, Jacket Potato Crisps made with unpeeled potatoes, and additive-free savoury products including Wotsits. According to Mr Brian Cardy, marketing director of KP, products like KP's Low Fat crisps have helped to increase the market rather than taking a share from existing products.

There is some disquiet, however, in the industry – as there is in other sectors of the food industry – about public anxiety relating to E-numbered additives. Mr Price said: "E numbers are the best-researched additives in the world. The public perception is unfortunate.

"We, however, as a company are producing as much as we can that is additive-free. In Pot Noodles, for example, we are using two additives compared with 10 before."

Manufacturers have to satisfy consumer demand and want to be seen as acting responsibly. Leatherhead Food RA said: "In general, snack food manufacturers have seen the health trend as a market opportunity rather than a threat to sales and have been able to exploit particular market growth sectors. They believe that the public perception of nutritional quality is vital to the growth of the sector and so have been keen to dispel fears that consumers may have over the healthiness of products."

Lisa Wood

ARTS

The Park/Sheffield Crucible

Michael Coveney

All hail to the Sheffield Crucible for presenting one of the most extraordinary and hypnotically disturbing European plays of the past few years.

Botho Strauss's 1983 re-working of *A Midsummer Night's Dream* has been seen all over Germany and in many European capitals since its première in Munich. It has been vigorously translated for Sheffield by Tinch Minter and Anthony Vivis, and bravely directed by Steven Pimlott and Clare Venables.

In Britain we know Strauss as Germany's leading theatrical spokesman for emotional dysfunction in the urban concrete jungles, thanks to Keith Hack's West End distillation of *Great and Small*, starring Glenda Jackson, and the Almeida's *Tourist Guide* last year.

The task of appropriating the past in the present was a subsidiary theme of the latter, small-scale piece. Here, the writer deepens his argument, and theatrical language, by relating a sense of contemporary social malaise to the problem of re-activating the classical myths. Richness abounds once that dilemma is discussed in the shape of a Shakespeare comedy where passion and bestiality lurk in dangerously compacted disguise beneath the carapace of social compromise and decorum.

The Park is therefore, in part, an exercise in translation and interpretation. And translation, of course, is the ironic fate of so many characters in *The Dream*. In Strauss, Oberon and Titania return to the soulless city both to shake up the natives and to re-invent themselves. The fairy demi-gods are painfully confined in narrow bodies.

Their task is to put passion back on the human agenda. But communication is risibly impossible; the gulf too large. Oberon intones "I know a bank where the wild thyme blows" (one of only three or four direct quotations from Shakespeare) and opens his grubby raincoat like a common flasher. The mortals are doubly appalled. They are pruriently, and ignorantly, inured against the magic of poetry. Any mode of sublime expression is a foreign language.

In designer Tom Cairns's brutally post-Modernist interior recesses, the yupple mortals snap and snarl in a rancorous, loveless gavotte. These scenes are like poisoned sketches by Jules Feiffer, underpinned with a jazzy, dislocating score by *Martin Duncan*. Sex is a matter of habit, not impulse.

The aphrodisiac linking these scabrously barking automatons with the downstage world of mossy sensuality and forgotten faëry is a piece of micro-art, an amulet. The well-heeled passion-fancier's market has been flooded with these pornographic icons, mass-produced by the tormented Puck figure, Cyprian.

Cyprian, whom Steven Beard plays as a camp cousin of Ian McDiarmid, is also identified by Titania as the sculptor Daedalus. She demands of him a cow's rump so she can be obscenely gratified by an offstage bull. As Cretan legend invades the proceedings, you have to hang on to the fact that the park itself has become a garbage dump overrun by punk pleasure-seekers (the updated mechanicals) and sinister businessmen (the cultural commissariat in succession to Egeus).

In the last of five acts, Oberon (John Ramm) has sold out and joined the human race and its vengeful, inconsequential cafe chatter, while the ageing Titania (played with ripe candour and candescence by Cecily Hobbs) presides over a palatial soirée. We hear the close of Mendelssohn's incidental music. The minotaur offspring has been bred in a stultifying labyrinth of approved culture. Pearce Quigley, delivering Augustinian blandishments in a white suit and cloven hooves, is the modern man incarnate, allowing a little bit of art to show at the edge for effect.

In the end, the gods are as unable to express themselves in the modern world as are the lovers. Art in moderation may persuade us of a temporary equilibrium. But a state of chassis prevails. In a world without love, lust and violence are the norm in Mr Cairns's forlorn, antiseptic pink tundra of rubbish, bracken and vandalised classical statuary. One full length figure, Adonis perhaps, has turned his back on the audience.

Two sides of the Sheffield thrust have been blacked out to assist in the great staging demands. The Crucible, painfully but gamely, adopts the visual ethic; some of the actors breathe it, notably Christopher Good as a savagely pathetic businessman, and Myriam Cyr and Jane Gurnett as the revamped Helena and Hermia, the one a viciously impregnable racist, the other a languourous siren at one point transformed beneath the hips to a tree trunk with a forbiddingly wizened orifice.

Architecture/Colin Amery

Contemporary dilemmas of style

An important book was published recently: The Dilemma of Style – Architectural Ideas from the Picturesque to the Post Modern (by J.Mordaunt Crook, published by John Murray, £25.00.)

The author is very much an academic historian with a facility for separating and classifying the strands of recent architectural history principally, from printed sources. I may be wrong, but I did not feel that Professor Crook had actually stood under the sun scoop of Norman Foster's marvellous Hong Kong and Shanghai Bank, or spent very much time in Chicago or New York.

There is a danger of an academic creating an architectural climate from photographs and lecture room slides. This is the easy way: architectural critics learn more, and are indeed more valuable, when involved in the whole process of commissioning and creating buildings. How easy it is to condemn contemporary architects simply because they do not fit into critical stylistic perceptions.

The most interesting question of the moment, and of this book, is: how and why is modern architecture turning into post-modern architecture? I am sure that Professor Crook is right to give the historical perspective to this dilemma. He is correct to summarise the invention of the Modern Movement as: architecture as service replacing architecture as art. But that is only part of the story. The giants of the modern movement like Mies van der Rohe and Le Corbusier considered themselves to be artists as well as social engineers. The intrinsic beauty of the best modern architecture at its best undoubtedly has a classical quality.

This book is a very useful historical précis of the literature of the development of architectural ideas. Many people would agree with the artist Paul Klee that when it comes to modern art or architecture, "the people are not with us." While this may not matter when it comes to pictures on the wall, it certainly does matter when it comes to the quality of the buildings that are to grace our cities. It may be wishful thinking, but after such a long period of public opposition to much of the output of contemporary architects the only way forward for public design is with public support.

I think that the public and even the Prince of Wales have one simple longing – for new buildings to be beautiful. Agreeing on what is beautiful is another matter. There is a distinct longing for associational beauty – to see in architecture something that reminds you of something else: maybe it is other older buildings, or richness of materials, which give some sense of a seriousness of purpose beyond the everyday.

There is one site in the nation's capital that has become a target for debates about style and beauty – the Paternoster Site to the North-east of St Paul's. The exhibition of the losing designs that I drew attention to last week (at the 9H Gallery, 26, Cramer Street, London, W1 until March) shows how lost contemporary architects are when it comes to questions of style.

What is not in the exhibition is the winning scheme by Arup Associates, nor the scheme that is being promoted by the classical architect John Simpson. The winning scheme by Arup Associates will no doubt change from that shown to the competition jury, of which I was a member. That scheme had a formality in its plan that almost echoed the classical ground plan of the North side of the cathedral; it also had a grand curved arcade that picked up the curve of the post-war Bank of England building behind the East end of St Paul's. What it was not asked to do at the planning stage was more than indicate the quality of the architecture and the materials.

Arup Associates are not classical architects; John Simpson is learning to be a classical architect; their two schemes stand at about the same stage. One probably cannot accommodate modern office life in classical style buildings; the other cannot accommodate classical references because of the architectural uncertainty of the Arup practice when it comes to dealing with the classical language.

Surely this is the moment for the City of London to organise a public exhibition and debate, that should be held on the site. It is not only a dilemma of style, but a question of making sure that we do the right thing for what the Prince of Wales called "the second chance for St Pauls."

The dilemma of style, which prompted Professor Crook's book, is a general problem for all architects, because there is scarcely a site left in the kingdom that is not in some way affected by its neighbours. In London alone, from the Royal Docks through London Wall to King's Cross, there are major redevelopments exceeding anything we have seen since the second world war. This is not to mention the proposed developments on London's South Bank alongside the Royal Festival Hall. While it is correct for critics to attempt to classify styles as the architectural debate stands at the moment, our real dilemma is to make the right choices for the right sites.

Cowboys/Watermans Arts Centre

Claire Armitstead

George Fish is a Leicester postman running for vice-presidency of his local Western Society when he is not running for the throats of his Indian neighbours.

A biff on the head from a flying saucepan brings him face to face with an America where Calamity Jane is a loud-mouthed drunk who won't grow old gracefully; Frenchie, the syphilitic barmaid gives birth behind the bar and Jesse James has himself a whole heap of personal problems.

The fascination of American icons to English iconoclasts is a growth area on the fringe circuit – in Red Shift's case it threw a show about Edgar Allen Poe out of the saloon, and that's hardly surprising.

Anne Caulfield's treatment of the cowboy dream rides high in the saddle both as a witty deconstruction of movie stereotypes and as a barbed commentary on the machismo hitched to a Wild West that never was.

Abandoned at the frontier, Fish, fat and about as uncool as they come, meets English homesteaders accused of unnatural behaviour every time a local worthy takes a fancy to an extra piece of land, hooded vigilantes caught up in the ethic of "guns, guts and gore," and a melancholy Billy the Kid.

His odyssey is managed by the director/designer partnership of Jonathan Holloway and Charlotte Humpston with an eye to the sort of economy Hollywood itself never achieved in its wildest dreams.

A guitar on the sidelines backs up the vultures and cicadas, mustangs and gunfire that are evoked through voice and movement by the six-strong cast.

The ensemble is led by Tony Bluto as the tubby, gun-toting mug who gets up everyone's noses as he tries to put society right by the book.

There are moments when the characters flood in with such profusion that one can't see the trail for the references, yet there is in this show an energy and invention that carries it stunningly through.

It moves on from the Watermans Arts Centre, Brentford, to a national tour which continues until the end of April.

Australian Ballet to make London visit

The Australian Ballet will return to London after an absence of 12 years for a two week season at Covent Garden from July 26 – August 6.

The seasons opens with the London premiere of director Maina Gielgud's production of *The Sleeping Beauty* at a Royal Gala performance in aid of both the Royal Opera House and The Australian Ballet Development Funds.

The repertoire will include several one-act ballets, almost all new to London, and during the second week two performances of works by Australian choreographer Graeme Murphy: the Sydney Dance Company, of which he is Artistic Director, will make a guest appearance in part of his full-length ballet *Shining*.

Alastair Muir

Vivien Heilbron

The Secret Life/Orange Tree

Martin Hoyle

One of the theatre's minor mysteries is why Harley Granville Barker, actor, director, playwright, theorist and author of the still insightful *Prefaces to Shakespeare*, should have given up writing drama relatively early in life, in his forties that is, when his vigorously active life of letters continued until he was nearly 70. The enterprising and ambitious supratabernal Orange Tree theatre in Richmond offers us an answer: because the author of *Waste*, *The Madras House* and *The Voysey Inheritance* had turned into a sub-Shavian waffler and must have known it.

The Secret Life takes place in the immediate Great War years. As the still young and beautiful Joan Westbury gently remarks when an old acquaintance refers to one of her sons killed in the late conflict, "They were both killed – within a month." We are with the class whose brightest and best were so depleted, with sad results for the moral fibre of the subsequent two decades. The play was completed in 1922 when questions of public and private morality, commitment, cynicism and sheer lassitude on the political plane may have been thrown into relief by post-war scepticism.

What we seem to be left with are the dullest and most prolix, as epitomised by Evan Strowde wondering whether to return from the political wilderness after inter-Party rows. Geoffrey Beevers' performance fails to elucidate quite why anyone would want him back: an uncharismatic figure, loquaciously mellifluous with D'Oyly Carte diphthongs, unimposing in *persona* or principles.

Nevertheless, the lure of compromise dances like a philosophical will-o'-the-wisp on Evan's political horizon. Should he leave *the massive multi-volumed history* he writes with his devoted sister Eleanor (Auriol Smith, both prickly and touching) to "remount the merry-go-round" even though "the man who has seen a better way but accepts the worse is a great force of evil"? But public life, no less than private, leaves Evan at a pharisaic, self-absorbed distance. He is indifferent to his son, his work, the illegitimate son he discovers. He despises whatever he is or does; even his love for Joan is a barren relationship.

At times Chekhov rather than Shaw springs to mind; but a whole dimension is missing: that of the material world. There are no presents, toys, litter or loved pieces of furniture to form a background for these flat, moving, mouthpieces.

Almost perversely, the author emphasises loss: the young man with one arm, Joan, her home burnt down, her husband dropping dead (offstage – no vulgar histrionics in *this* play), herself finally struck down by a brain tumour (which at least enables Vivien Heilbron, high cheekbones and shimmering white draperies, to evoke Callas in the last act of *Traviata*). For three hours *fine writing* and characters in love with the sound of their own vices stalk the stage.

Something resembling a plot of political intrigue emerges after 1½ hours. A breath of Shavian whimsical paradox occasionally blows through; there is even a wryly contradictory self-made industrialist to recall Andrew Undershaft who says things like "righteousness is profit..." Great poems have been written in my ink. Treaties have been signed with my pens." I suspect the play makes a good, meaty read, but, as William Archer evasively put it, "it is written for the next generation, if not for the next again."

Sam Walters directs a cast of 12 characters, not all of whom are necessary on the tiny acting area. A couple of steps to a higher level and a misty mural of spires recalling Monet's Westminster Thames are designer Anne Gruenberg's ingenious reply to the constraints of space. Michael Elwyn's worldly MP and Daniel Flynn's bewildered youth in search of himself are almost human. Angela Browne's quizzical Countess is funny and stylish. But nothing can turn the evening into a theatrically vital experience or the characters into figures who live, let alone matter.

Sponsorship

Dancing in the City

Last Wednesday eighty City types – merchant bankers, stockbrokers, accountants, and that ilk – became investors in the future of modern dance. They each bought a minimum share of £50 in the talent of four choreographers who, with the money raised, will now go off and devise new works for a season to be held in September at The Place, close by Euston Station.

It is a good example of the new sponsorship. Like most modern arts centres, The Place is short of cash. Its director John Ashford has become a confirmed Thatcherite in going to the market place and selling his product. At the Whitbread Brewery in the City he arranged for four choreographers to present examples of their recent work before a local audience. Anyone knocked out by Phillipa Donnellan's creation, which married dance to an accordian recital, or Aletta Collins' imagination, which dramatically exploited Tammy Wynette's reactionary song "Stand by your man" in dance format, could show their dazzlement by buying a share in the next work by these choreographers.

What lifts the idea into a significant occasion is the decision of Framlington Unit Trust to match the money invested pound by pound up to £5,000. It seems certain that there will be a hundred shares bought and the Framlington commitment will be taken to the full. The cash will be invested in one of the company's unit trusts until it is given, in tranches of £1,000, to the four choreographers as a commission. In the *autumn the investors will be* invited to The Place to see what their money has brought forth. They also get to meet the dancers. It is like buying a race horse and being certain of a twirl in the winner's enclosure.

Of course, disregarding the packaging, this is not an investment at all. It is a subtle form of sponsorship in an area, modern dance, which is chronically underfunded. But, much more significantly, it seems the idea qualifies for subsidy both under the Government's Business Sponsorship Incentive Scheme and the Arts Councils putative incentive fund.

Last December the Minister for the Arts, Mr Richard Luce, announced a useful increase in funding for the BSIS of 70 per cent, to £3m for 1988-89. He also said that £5m of the higher grant for the Arts Council should be ear-marked for an incentive scheme and passed on to arts organisations that came up with imaginative ideas to boost their own revenue. But *just getting £50,000 in sponsorship* from a local company would not qualify for an incentive grant because it infringed on Mr Luce's pet BSIS initiative.

The Place has bridged the gap. It has already attracted £1,100 from the BSIS and it will submit the Framlington commnection to the Arts Council with high hopes of drawing incentive revenue.

Any arts company worth its salt is now looking for good creative ideas which ensure that they can milk both the BSIS and *the Arts Council incentive fund*. So far it is the experimental fringe organisations that have come up with the best initiatives. LIFT, the London International Theatre Festival, is playing with a corker. In 1987 LIFT attracted £80,000 in sponsorship towards its costs of around £500,000. By the time of its next festival in 1989 the expense of transporting overseas theatrical troupes to London will raise expenses to £600,000. It hopes to get half the cost from public subsidy, and a quarter from the box office, leaving a £150,000 gap to be bridged by sponsors.

It is currently looking for corporate backers prepared to put £2,000 towards the event. To lure them in it is persuading current supporters to host banquets at which the menu will be devised by Fay Maschler, restaurant critic of the London Standard, using a chef of her choice, and a beguiling venue. The eight or so corporate guests will be expected to show their appreciation by signing up as a new corporate backer for LIFT.

The obvious aim is to persuade companies that this is the perfect format for making new business contacts, while the contacts should be alive to the ramifications of accepting the invitation. The Daily Telegraph will soon be hosting the first dinner. Be delighted to accept – or beware.

The collapse in the world's stock markets should be bad news for arts sponsorship. This is the most painless area in which companies can save money. In the event there has been little reaction. More companies might now think twice about new commitments, but nothing of note has been cancelled; perhaps the sums involved are too small; perhaps the bad publicity from a withdrawal outweighs the financial outlay.

By a strange irony those City institutions which have been forced to shed staff most publicly are staying the most loyal to their arts links. Citicorp-Citibank, which was the National Theatre's first sponsor two *years ago when it paid for the* production of the Threepenny Opera, is persevering, despite rumours to the contrary, with its sponsorship of Peter Hall's final productions as director of the NT, the late plays of Shakespeare, in the spring. The cost is a comparatively modest £100,000 plus.

Another City company which has been in the headlines, Salomon Brothers, is guaranteeing against loss the Royal Academy's major autumn exhibition of the work of Henry Moore. And the revitalised South Bank's first major sponsor, to the tune of £1m for a series of music festivals over the next five years (the biggest-ever music committment in the UK) is another leading City institution, British and Commonwealth Holdings.

The National was much slower than the RSC in developing links with business but it seems to be making up for lost time. Tomorrow it opens a room in which sponsors can entertain their guests. Known as the Richardson Room, after Sir Ralph, it has been paid for by the London Electricity Board, which has had the awesome *task of rearranging the NT's* kitchens. If the NT can improve its catering revenue at the same time as it boosts its sponsorship income the new regime under director Richard Eyre will get off to a confident start.

Arts sponsorship will grow more slowly in the UK this year because of business fears of a recession. But the potential is there for all to see in the US where thanks to generous tax concessions, companies compete to be associated with prestige events. The First New York International Arts Festival, which opens on June 11, is one *such event. The organisers of* this $8m jamboree devoted to 20th century arts have a queue of sponsors. It has selected seven, of which the most prominent, American Express, is paying $3m for the connection, probably the biggest sum ever committed.

Antony Thorncroft

Arts Guide

January 29-February 4

Music

LONDON

Philharmonia Orchestra conducted by Norman del Mar with Robert Cohen, cello. Mozart, Haydn and Tchaikovsky. Barbican Hall (Wed). (638 8891).

London Symphony Orchestra conducted by Jeffrey Tate with John Graham Hall, tenor, and Hugh Seenan, horn. Delius, Britten and Elgar. Barbican Hall (Thur).

PARIS

Jean-Pierre Rampal, flute, accompanied by harpsichord and piano: *Bach, Poulenc, Mozart, Telemann* (Mon, 6.30pm). TMP-Chatelet (42 33 44 44).

Nouvel Orchestre Philharmonique conducted by Marek Janowski, with Siegfried Jerusalem, Theo Adam and The Radio France Choir: Wagner's concert version of Parsifal (Tue, 6pm). TMP-Chatelet (42 33 44 44).

Ensemble Vocal Jean-Pierre Lore sing Durufle's *Requiem*, Motets and Galard's **Magnificat** (Tue). Saint Roch Church. (42 61 93 26).

Orchestre National de France conducted by Neeme Jarvi play Shostakovich, Sibelius, Brahms (Thur). *Radio France, Grand Auditorium* (42 30 15 16).

Orchestre de Paris conducted by Pierre-Michel Durand, Helene Grimaud, piano: Berlioz, Liszt, Bartok (Thur). Salle Pleyel (45 63 88 73).

Nouvel Orchestre Philharmonique conducted by Marek Janowski, Ann Murray, mezzo-soprano: Schubert, Webern, Berg (Thur). TMP-Chatelet (42 33 44 44).

ITALY

Rome, Auditorium in via Della Conciliazione. Yoav Talmi conducts Brahms with violinist Uto Ughi: Mendelssohn and Gervasio (Mon and Tue) (654 1044).

Rome, Oratorio del Gonfalone. Gonfalone Chamber Orchestra with soloist trumpeter Antonio Ruggeri playing Albinoni, Telemann and Torelli (Thur). (Via del Gonfalone 32A) (68 75 952).

Florence, Teatro Comunale. Soprano Maria Weing: Mozart, Schubert, Brahms, Wolf, Ravel and Debussy. (Tue) (277 8236).

Parma, Teatro Regio. Mezzosoprano Christa Ludwig (Mon) (79 56 78).

NETHERLANDS

Amsterdam, Concertgebouw. Recital Hall, The Archipel Trio: *Albrechtsberger, Bach, Berio, Van* Noord, Rossini (Tue). Thea van der Putten, soprano, accompanied by Henk Ekkel: Prokofiev, Mussorgsky, Mozart, Schumann (Wed). The Takacs Quartet: Haydn, Bartok, Brahms (Thur). (71 83 45).

Rotterdam, Doelen. Bach cantatas performed by the Amsterdam Baroque Orchestra conducted by Ton Koopman (Tue). Recital Hall: the Bulgarian Chamber Orchestra conducted by Jordan Dafov, with Jan-Erik Gustafsson, cello: Purcell, Haydn, Dafov, Tchaikovsky (Mon). Netherlands Chamber *Choir conducted by Philippe van* Herreweghe: Sweelinck, Gabrieli, Marenzio (Thur). (413 24 90).

Utrecht, Vredenburg. Bach cantatas performed by the Amsterdam Baroque Orchestra with the Ghent Collegium Vocale and vocalists conducted by Ton Koopman (Thur). (31 45 44)

Eindhoven, Schouwburg. The Brabant Orchestra conducted by Heinz Friesen, with Theo Bruins, piano. Liszt, Bartok, Mendelssohn (Tue). (11 11 22).

Groningen, Oosterpoort. Piano recital by Gregorio Nardi: Beethoven, Chopin (Thur) (13 10 44).

NEW YORK

Cleveland Orchestra. Vladimir *Ashkenazy conducting with* Franklin Cohen on clarinet. Sibelius, Mozart, Ravel (Wed). Carnegie Hall. (247 7800).

Da Capo Chamber Players. A James Joyce birthday celebration *with works by John Buller, Stephen Albert* (Mon). St Luke's Chamber Ensemble. Michael Feldman conducting. Eriko Sato violin, Alexandra Hunt soprano, Bennett Lerner piano. Vittorio Reiti 90th *birthday celebration* (Wed). Barry Hannigan piano recital. George Crumb, Frederic Rzewski (Thur). Merkin Hall (Goodman House). 67th w of Broadway. (362 8719).

The Schubertiade. The 10-year pro*gramme of the complete works of* Schubert culminating at his bicentennial. More than 60 chamber works, nine symphonies and other works both known and unknown will be performed. Kaufman Hall, 1395 Lexington Av (831 8603).

New York Philharmonic. Giuseppe Sinopoli conducting with Philip Myers on horn. Scriabin, Mozart (Tue). Charles Dutoit conducting *Zoltan Kocsis piano. Haydn, Bar*tok, Rachmaninoff (Thur). (Avery Fisher Hall) Lincoln Center (874 2424).

WASHINGTON

National Symphony. Mstislav Rostropovich conducting Sibelius (Tue); Mstislav Rostropovich conducting. Boyce, Tchaikovsky *(Thur) Concert Hall, Kennedy* Center (254 3776).

CHICAGO

Chicago Symphony. Sir Georg Solti conducting. Kathleen Battle soprano, Alfred Muff baritone and Chicago Symphony Chorus. Brahms (Thur). Orchestra Hall (485 8111).

Saleroom/Antony Thorncroft

Ambassador's argent

The first major sale of the year in London takes place at Sotheby's on Thursday when silver comes under the hammer. The saleroom hopes that dealers will be bidding keenly in an attempt to stock up after a successful few days at the International Silver and Jewellery Fair which ends today at the Dorchester.

The star lot is a pair of George II ambassadorial wine coolers which were made in 1727 for the 4th Earl of Chesterfield. They carry a top estimate of £300,000. The coolers cost £252 13s 9d when they were made by Paul de Lamerie. His mark is over-stamped with that of Paul Crespin, suggesting that the ambassadorial set of silver was ordered from Crespin who contracted it out to his fellow Huguenot, Lamerie.

On his appointment as Ambassador to the Hague, Chesterfield was entitled to "the usual allowance of plate".

The wine coolers are sent for sale from Highclere Castle, the seat of the Earls of Carnarvon, who descend from the Chesterfields. Also on offer from the castle is a pair of George IV wine coolers made to match the ambassadorial pair a century later by Robert Garrard & Brothers on the orders of the spendthrift 6th earl of Chesterfield.

Lord Carnarvon is raising the *money for a Maintenance Fund*. He is also opening Highclere to the public this summer. Big houses create big financial problems these days.

The book and art collection of the late Mrs Estelle Doheny is being sold by Christie's throughout the world for encouragingly high prices. Her Gutenberg Bible has made $5.39m in New York and her "*Commentary on the Four Gospels*" £1.32m in London.

Today in St John's Seminary at Camarillo in California starts a four-day sale of printed books and manuscripts, including Western Americana, and pictures, furniture and decorative objects. Since the proceeds from the sales are going to Catholic charities the venue is apt. Best among the pictures are two landscapes by Corot, while an unusual object is a Steinway giltwood concert grand piano painted with a scene of the original Doheny residence in Los Angeles: it carries an upper price tag of $50,000.

Christie's in South Kensington opens its Old Master season on Thursday with around one hundred pictures on offer ranging in price between £500 and £5,000. It is followed by a better sale at Christie's King Street on Friday.

At both auctions dealers will be looking for bargains, in particular pictures they consider to be wrongly, or too cautiously, attributed.

For example if the oval panel depicting the flight into Egypt, attributed to a follower of Jan *Brueghel I, could be proved to* be in the hand of the master its top estimate of £30,000 would be about a third of its true value.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Monday February 1 1988

Backsliding on farm costs

THE LONG SAGA of the European Community's attempt to come to grips with the soaring costs of its farm policies enters a new phase this morning when the twelve foreign ministers meet in Brussels to prepare the way for next week's emergency summit of EC heads of government. For farm reform is still the make or break issue for the summit. Despite two meetings of farm ministers in the past three weeks, the Community seems no nearer a resolution of the farm crisis than it was when the Copenhagen summit broke up in December. Unless the foreign ministers or, beyond them, the heads of government can break the log-jam, Brussels, too, could end in failure.

Britain, the staunchest supporter of reform, would like cash limits imposed on farm spending but is prepared to settle for a system – known as stabilisers and conceived by the European Commission – which would set limits to production and involve semi-automatic price cuts once those limits were exceeded. For Germany however this system is anathema, since it is feared that it would push many of the country's small farmers out of business.

Compromise proposals

If this was the issue which stymied success at Copenhagen, what has happened in the intervening weeks looks more like regression than progress. It has fallen to Germany, which now holds the Presidency of the Council, to draw up compromise proposals. The effect of these, not surprisingly, has been to weaken the original stabiliser plans. More serious still is an apparently growing disposition by several hitherto uncommitted governments, and the Commission itself, to see the German proposals as a basis for settlement. The lack of progress at last week's Anglo-French talks was an ominous sign.

The Commission's original stabiliser proposals were far from ideal: they would not mean a return to free market practices, and they would probably not reduce the farm budget in real terms. But they would bring supply more into line with demand, thus reducing the huge costs of storing or exporting farm surpluses.

The German proposals fall short even of those goals. They water down the production limits and price penalties of the original stabiliser proposals to a point where they are in danger of becoming meaningless, while key price reductions would not even apply until next year's harvest; they attempt to shift the penalties for over-production onto a so-called co-responsibility tax from which small farmers would be exempt; and they take away from the Commission the power to bring in agreed price cuts automatically.

Futile attempt

It is easy to see why there should be a growing mood for compromise on farm reform within the Community: so much other vital business, including future financing, new policies to aid poorer members and even the creation of the single market in 1992, is being held up. There are also political reasons why France and Germany, with imminent important elections, want a settlement now.

Yet British ministers are right to insist that a settlement based on the German proposals would at best postpone the Community's crisis for a year or two – as in 1984 when an ultimately futile attempt was made to limit farm spending as a proportion of the total EC budget.

It may yet be that some compromise can be worked out this week or next which would build on the binding controls on production and prices which were envisaged in the Commission's original proposals, thus holding out some hope of a durable settlement. But the German proposals as they stand do not come near to solving the problem. If that is all that is on offer in Brussels, Mrs Thatcher will be right to withhold her agreement and to try again for a sensible, lasting settlement in Hannover, in June.

The divisions of the centre

THE SCHISMATIC tendency is still the most powerful force among the political parties opposed to the Britain's Conservative government. This was made painfully evident at the weekend when the Social Democratic Party, formed in 1981 with the purpose of "breaking the mould" of two-party politics, itself broke in two. The immediate cause of the break was the proposal that the SDP join with the Liberal Party to form a new united party of the centre-left - the Social and Liberal Democrats (SLD).

Just over a week ago the Liberal party assembly voted by an overwhelming majority in favour of such a merger. It seems likely that this will be ratified by the members of that party in a postal ballot. Yesterday's vote for merger at a special conference of the SDP was not so convincing. The matter will now be put to a ballot of SDP members where the outcome is doubly uncertain, partly because of the bitterness of the split at the weekend and partly because in last year's membership ballot only 57% voted in favour of opening merger negotiations. It is, however, assumed by both sides that the members will now ratify the formation of the new SLD by the Liberals and a faction of the SDP.

Certain strengths

If this assumption holds, Britain will have a third and fourth political party on the centre-left, competing against each other as well as against the Labour and Conservative parties. The first of these two new parties, the SLD, or as some of them hope to call it, the "Democrats", will have certain strengths: a large and well-established Liberal base, on which will be superimposed a fresh version of the more coherent constitution and sharper political thinking of the original SDP.

Against that will be set the "continuing SDP", as the second faction presently terms itself. This starts off with the important advantage of a full purse and, in Dr David Owen, its single most outstanding asset. Without Dr Owen the "continuing SDP" would probably not exist, with him it has a strong political thinker, a man of authority in an age in which authority is in vogue, and, above all, a powerful and charismatic performer on television. Yet, though still leaderless, the "Democrats" are at least initially likely to prove the stronger of the two in more localities than will Dr. Owen's party.

More realistic

None of this has very much to do with policy. Both propound the "social market economy", both espouse the liberty of the individual and if Dr Owen is more trenchant on the nuclear deterrent than are his erstwhile colleagues among the "Democrats" that is not to say that there is a serious difference of principle between them. But the contrast in style is not to be under-estimated.

Both sides are believers in proportional representation and "multi-party politics", which is just as well for them, since without PR and its consequence, a series of coalition governments, neither has any serious hope of participating in the government of Britain in the foreseeable future.

The "Democrats" have recently seemed the more realistic about this, since their main argument in favour of merger has been that small parties confuse the British electorate and, in the end, tear one another apart. Most West European countries have long been accustomed to PR and a plethora of parties. They work well across the Channel. But those who want to see such a mechanism operate in Britain must first win an election under the existing first-past-the-post rules. A divided opposition is hardly likely to do that.

Tim Dickson and John Wyles in Brussels report on the tussle to control the venerable Société Générale, Belgium's top company, as it enters a crucial phase


LEYSEN

LAMY



DE BENEDETTI

Preparing to change the old order

THE safest prediction to be made about Mr Carlo De Benedetti's absorbing battle to win control of Belgium's most important business, Société Générale de Belgique, is that for all of those involved the next 48 hours are going to be particularly tense.

Even the Italian entrepreneur himself, publicly the epitome of suavity and self control, may feel a tingle of nerves about decisions to be announced by the Belgian Banking Commission tomorrow and the Commercial Court on Wednesday.

The former will decide on the appropriateness of his public offer for 15 per cent of Générale stock to add to the 18.6 he now controls, while the latter will rule on the legality of the defensive manoeuvre which is possibly the Belgian company's best hope of preventing Mr De Benedetti from becoming its controlling shareholder.

If the court still supports Mr De Benedetti's view, as it has done in two interim judgements, that Société Générale acted improperly in deciding to make a 57 per cent (later reduced to 43 per cent) increase in share capital and to place this in "friendly" Belgian hands, then the Italian financier would seem to be in the clear.

If, by contrast, the share issue is allowed, then Mr De Benedetti will have to reckon with a group headed by Mr André Leysen, the canny financier from Antwerp. With a shrewd sense of timing, this scion of the Flanders business establishment has rallied to the cause of retaining ultimate control of La Générale in Belgian hands, while most of the notables of francophone Wallonia apparently spectated silently. If the court so permits, Mr Leysen and his group will take up the new issue and control 34.4 per cent, leaving Mr De Benedetti with a only diluted 13 per cent.

Mr Leysen is offering himself as a potential collaborator with Mr De Benedetti, but seems determined to stop the Italian "acting alone". He claims that Société Générale is "too important to be left to one shareholder" and for the moment refuses to criticise the performance of the present management.

However, the fate of the company sometimes jokingly dubbed "Belgium's alternative government" concerns more than just the outcome of this intriguing, at times gladiatorial, tussle. At issue is both a vision of how to meet the challenge of the European Community's unified internal market being promised for 1992, and how to reconcile national self interest with this wider European cause.

This explains why there are many others, too, who will follow the events of the next two days with some excitement, including the as yet unidentified investors who were steadily purchasing Générale stock for most of last week.

Buying reached a climax on Friday when more than 700,000 shares changed hands – even more than on January 14 and 15 when Mr De Benedetti built up most of his position. Since the Italian has given assurances that he will not acquire more stock until the authorities have pronounced on his public offer, there is some speculation that others may be acting on his behalf. But the mystery purchasers could also be friends of the company trying to build up a defensive position.

Less anonymously, Mr René Lamy, the Governor of Société Générale and his beleagered directors cannot be indifferent to the outcome, though they must be resigned to the probability that, with the possible exception of vice-chairman, Visconte Etienne Davignon, they will be released for other employment whoever wins control.

The politicians, of course, are watching nervously and somewhat impotently. Authority in Belgium still resides in a caretaker government after last December's elections while negotiations between the parties on forming a new coalition meander onwards. If control of "the old lady", as La Générale is affectionately known in Belgium, were to slide to Mr De Benedetti, to Mr Leysen or both, the potential impact on both industrial policy and the delicate balance of power between Flanders and Wallonia could be great.

With its interests in more than 600 Belgian companies and as many more overseas, the company is undoubtedly a storehouse of financial and industrial power. "It is the centre of decision-taking for whole areas of the Belgian economy, such as electricity, gas, cable TV, non-ferrous metals, cement, diamonds and sea transport," said a financial analyst at Banque Bruxelles Lambert.

According to some observers, political pressures are partly to blame for Société Générale's failure to maximise its pursuit of profit. If the company falls under non-Belgian control, presumably she will be much less available for use as an arm of government industrial policy in Wallonia. The prospect, instead, could be restructuring and redundancies at loss makers such as FN (armaments) and Gechem (chemicals).

It is an intriguing, and at times, gladiatorial battle

Moreover, any shake-up in the ownership of the company is bound to weaken Wallonia's grip on its management – bringing in men from Flanders is one of Mr Leysen's avowed aims. Not surprisingly, francophone extremists are profoundly alarmed at the prospect.

Mr De Benedetti could hardly have chosen a more vulnerable target than Belgium, a country which, as every schoolboy historian knows, has been the theatre for great battles between the major powers and whose very foundation in 1830 was the result of compromise among its powerful neighbours. Moreover, with two large and linguistically divided communities, nationalism has never been strong and Governments have persistently been weak.

The significance of Société Générale de Belgique, set up in 1822 by King William 1 of the Netherlands when Belgium was still part of the Dutch dominions, has to be seen in this political context. Scarcely a major project during the rapid industrialisation which characterised the early years of the Belgian state – the construction of railways, canals, the exploitation of coal and the development of the once powerful steel industry – was undertaken without capital provided by La Générale. Come the turn of the century, the company effectively added foreign policy to the role of industrial development agency as its tentacles spread into China and the newly established colony in the Congo.

Until recently, its strategic importance at home and its impressive global presence encouraged a strong Belgian belief in the company's invincibility. More an institution than a business, few imagined that the old lady would ever fall prey to a raider like Mr de Benedetti.

In retrospect, however, it is easy to see why the company was so vulnerable. Largely because of its history of weak government, Belgium has never formulated coherent takeover rules or disclosure requirements with the consequence that anyone could build up a sizeable minority stake without being noticed. Ironically, Governor Lamy's strategy to expand the company's activities and shareholding base internationally almost certainly enabled large chunks of the capital to fall into unfriendly hands and unwittingly prepared the ground for Mr de Benedetti's recent attack.

So who will win and what will the victor do with his prize? There is a school of thought in the banks and stockbroking houses of Brussels which believes that Mr De Benedetti has victory within his grasp. "In reality he has already succeeded," said an investment adviser at a major Belgian bank. "He will, of course, be diluted if the capital increase takes place but he will go on buying shares and once he gets to 20-25 per cent he will be able to impose his views."

This judgement is based partly on the view that if its shares are legitimised, the Leysen syndicate will not hold together. Seventy per cent of the newly issued stock to be taken by the Leysen group would be in Belgian hands and 30 per cent in foreign. By no means all members of the group have yet been identified but there is a feeling in Brussels financial circles that despite their concern to retain a strong Belgian interest, enough of the group will be happy to let Mr De Benedetti set the strategy for the company, even if he is not the principal shareholder.

Mr Leysen himself seemed to be hinting at a De Benedetti management for Société Générale at the end of last week when he was publicly congratulating himself on having raised BFr 30bn (£492m) in five days to finance his group's stake. In an interview with the Financial Times on Friday, he said he was no less a "convinced European" than his Italian rival, and set out his offer to collaborate with Mr De Benedetti so as to transform Société Générale into both mens' dream of a European holding company.

"It is too early to say what we should do, but we should look at the strengths of the company and of its shareholders. De Benedetti has a good team and an industrial background. We are strong in finance, and we are Belgian," Mr Leysen said.

Neither Mr De Benedetti nor Mr Leysen have given more than the sketchiest outline of this European holding company which would find its vocation after 1992.

Analysts in Brussels would expect to see an attempt to develop partnerships between Mr De Benedetti's banking, insurance and industrial interests in France, Italy and Spain and those of La Générale in Belgium and elsewhere. "Banking, insurance, financial services and transport is where a lot of post-1992 growth will be and the Générale is very respectably represented in all," said Mr Nikita Reinbot, an investment adviser at BBL in Brussels.

Mr De Benedetti explained his objective in an interview published by the Italian magazine Panorama last week. "The ambition is to exploit to the full the opportunities deriving from a presence in key financial and industrial sectors. In each one we shall try to anticipate the evolution of the world market through investments, alliances and new initiatives."

Société Générale had been selected for this task, said Mr De Benedetti, because it satisfied the six criteria defined by him and his collaborators as to size, reputation, range of activities, location, shareholding structure and international potential.

But he knew that a "huge rationalisation task" lay ahead since the sheer volume of companies in which Société Générale has investments indicates "an accumulation of investments over time that need to be reviewed."

For all of Belgium's apparent nervousness about the Italian insurgency, there were many signs last week that both many small shareholders and the younger members of the financial community feel that La Générale both deserves and needs the shake-up that appears to lie ahead. "It is a company that has been run for too long by complacent old men. In future, it is bound to be more responsive to the needs of shareholders and of Belgium's need to adjust to changes in the outside world. That can only be good," said one investment analyst still in his twenties.

OBSERVER

Stirrings in Berlin

■I spent the weekend – a longish one – in East Germany. Although it was clear from the start that something was up, no-one had an inkling of the extent.

On Saturday morning I was in the countryside looking at horses and hearing about the deficiencies of the East German agricultural pricing system from people who know how to exploit it.

In the evening I returned to Berlin and went to the Gethsemane Church. Whether what happened there was the beginning of the biggest political uprising in the German Democratic Republic since 1953, the next few weeks should tell. But certainly it looked very big to me and as someone who, also by chance, was present at the onset of les evenements in Paris in 1968, I saw some remarkable similarities.

Skinheads

■What happened was that the Church, the dissident movements and the students seemed to come together perhaps for the first time. It took place in a church because nowhere else under East German law is there the right of free assembly. About 3,000 people turned up, itself an event long without precedent.

Some background is obviously required, but it must be scanty because nobody really understands what is going on. In brief, the Government in East Germany has been all-powerful for at least the last 40 years. The only other possible centre of influence has been the Protestant Church, though it has never stood up to the Government head-on. Recently, however, there have been a few human rights groups calling for change.

The latter groups are very small – perhaps a few hundred members all told. Events began to come to a head when some of them joined an official demonstration on January 17, estimated at 200,000 strong, and displayed banners which, though from impeccable socialist sources, were not to the Government's liking. Some of them were arrested, some have been sentenced and others have been expelled to West Germany – not the harshest punishment in the world.

It was the fact that the Government reacted at all that has stirred the political pot. The Church has felt obliged to stand up for the people who used its premises, even if they had no political purpose. The dissident groups, who used to fight each other at least as much as they opposed the state, have come together. And on Saturday the students, who had previously stayed out of it, went along as well.

So, incidentally, did the skinheads, a group whom nobody can explain but which undoubtedly exists, even if an outsider seeing them for the first time would describe them as punks. The skinheads used to beat up the dissidents. Now, it appears, they may have joined them.

Bishop's lead

■The star on Saturday was Gottfried Forck, the Bishop of Brandenburg, in whose diocese lies Berlin. Forck is a former U-Boat commander and is behaving like a kind of East German Willie Whitelaw. In the Protestant establishment – unlike the Church of England, a fairly close-knit group – he is slightly to the left of centre.

He told the Assembly that the Church supported the rights of the dissidents, that the protesters still held by the state should be released and that there should be no more arrests. He also endorsed further protest meetings on church premises, though at the rate of no more than two a more week. Some of the dissidents had wanted to go into almost permanent session.

"Damn – I've just lost another million. I suppose that means I'll lose my parking space."

Forck was applauded by clapping of hands. Indeed one of the features of the gathering was the politeness and orderliness of it all. In that respect, it was distinctly reminiscent of the beginnings of the Paris students' revolt in 1968.

Kyrie eleison

■It was also in its way genuinely religious. Almost everyone joined in saying the Lord's Prayer at the end and there was one brilliant touch. The theme song of the East German uprising if it occurs will be not "We shall overcome", but the Kyrie eleison, drawn from the Mass. It was sung three times with mounting emotion. It is haunting, it is beautiful and almost everybody knows it.

There were one or two other subtleties: the emphasis on the word "peace", for example, in the sense of "peace on earth" rather than the East German Government meaning of unilateral western nuclear disarmament, and the repeated calls for solidarity, though without mentioning Poland.

Candles are out

■The police kept their distance, although one was told that there was a strong plain clothes element in the congregation. As people left there was a warning from the church authorities and their lawyers not to let the demonstration spread onto the streets, and it was heeded. Lighted white candles, which more than a few yards from a church are the symbol of revolt, were quickly extinguished.

It is not at all clear what will happen next. Everybody is left with a problem. The dissidents are not especially articulate in their demands. Some of them told me that they want a dialogue with the Government, with the state of youth in the Democratic Republic the first item on the agenda. The students are on the whole still watching events without fully committing themselves.

The Church is in a bind. It wants to act as mediator between people and state and to secure some democratic reforms, but is desperately frightened of going too far and losing its relatively privileged position, at least in comparison with other communist states.

The biggest problem of all, however, lies with the Government. Should it put down the potential rebellion by force or hope that it will peter out? The signs are that it is still undecided, though one indicator may be that last week the first shootings for many months took place at people escaping across the Berlin Wall. They were not shots to kill, but they might have been warnings.

The Government has been trying for several years, perhaps with less success than it deserves, to improve its reputation abroad. Now, suddenly, everything is at stake again. And the central fact to remember about an East German Government is that, is a crisis, it has no friends - not even the Russians.

هكذا من الاصل

Andrew Taylor looks at difficulties facing private finance for major construction projects

Too many bridges to cross

THE SPIRIT of the entrepreneurs who built the Victorian era's railways is being reawakened as governments worldwide encourage private investors to finance and run public services such as roads, railways, power stations, water and sewerage plants. But in Britain, despite the successful beginning to the Channel Tunnel project, other privately financed projects have been slow to get off the ground.

The reasons for the new era of private infrastructure development are simple. Governments everywhere are keen to reduce public borrowing. Construction companies want to offset the drop in export orders, down by more than a third since 1981 as developed and developing nations have sought to reduce public spending. Both sides share a common interest in encouraging private sector finance.

A few examples give some of the flavour of the new wave of projects. In Hong Kong, the large Japanese construction group Kumagai Gumi is leading a consortium which is financing a $385m (£216m) road and rail tunnel under Hong Kong harbour. In Australia the same company is raising private finance to build a tunnel under Sydney harbour.

In Toronto, the US aerospace company Lockheed, in partnership with Huang-Danczkay, Canadian developers, has won a concession to finance and operate a $365m third terminal at the city's international airport. Turkey is desperately seeking private investment for a whole range of public works; many cities in the US have plans to tap private finance to help pay for public services.

And in Europe, the biggest of all privately financed infrastructure projects, the Channel tunnel, is now under way. Eurotunnel, the Anglo-French group which will run the project, has raised £6bn in loans, standby credits and equity.

Despite this success, the British Government's experience of getting such ventures started has been mixed – surprisingly so for an administration which champions private enterprise. Contractors are beginning to question whether it is worth the expense of preparing costly engineering and financial proposals if the projects face so many problems. There are three main issues involved.

The first is the strict test the Treasury applies to ensure that the projects represent value for money. Several schemes have foundered on the rock of Treasury opposition. These include a new Black Country toll road by Tarmac in the West Midlands; an East Anglian sewerage scheme at Flag Fen; and the private financing of the Westminster conference and exhibition centre. So far only the conference centre has been built, using public money.

Other projects have gone ahead despite Treasury protests. Trafalgar House, the construction, property, shipping and hotels group, won the concession to build a privately financed bridge over the River Thames at Dartford only after the Cabinet overruled Treasury objections.

Treasury officials say they are not opposed to private funding, but that privately financed developments should be at least as cost effective as if they were carried out in the public sector. The rules governing private investment in public infrastructure and services were established in 1981 by a working party under the chairmanship of Sir William Ryrie, then a senior Treasury official. The "Ryrie Rules" stipulate:

● Finance must be raised at competitive rates and entirely at the risk of the private investors; there must be no direct or indirect state financial guarantees.

● The higher cost of raising money from the private sector must be offset by cost savings elsewhere in the project.

Contractors question whether preparation of costly engineering proposals is worth the expense

Contractors say the wording of the rules makes it virtually impossible for any project to be approved. It is very difficult to identify private sector savings which could not, technically, be achieved under public management.

A second concern is that, even if a project is approved, the Treasury insists that it should be offset by a corresponding reduction in government spending. In the case of the Dartford Bridge, for instance, Treasury officials tried, once the project had been approved over their opposition, to deduct the cost of the bridge from the public sector transport budget.

In this instance, they were not successful. But the Treasury's insistence that privately funded projects should not be used as a lever to raise national expenditure on infrastructure removes much of the incentive for construction companies. They are anxious to increase their overall workloads: if privately financed projects are not going to free money to be spent in the public sector, all the less reason to propose them.

The third issue is the uncertainty of dealing with governments and politicians. MPs sitting on the special select committee hearing the Dartford Crossing Bill have voted to include a wind-shield on the new bridge. Trafalgar House says this would substantially increase the cost of the development and could require it to resubmit its financial proposals.

The Government has indicated it will overrule the MPs' wind-shield amendment. Construction companies are none the less concerned that parliament should try to change the rules half way through the game. Britain needs to develop the same kind of legislative and political procedures as France, says Mr Nicolas Lethbridge, an assistant director of Schroders merchant bank, which advises in this field. France has a long history of private companies running public services. Private companies, many of them construction companies, supply about 70 per cent of France's water, for instance, and have been operating since 1853 when Compagnie Générale des Eaux, the biggest of the private French water companies, was formed.

Despite their complaints, British contractors are pushing ahead with a number of projects. Just before Christmas, Richard Costain, the mining and construction group, announced proposals for a new generation of privately funded transport projects, including a second deck on the M25 motorway that rings London, and a 16-mile highway under the heart of the capital.

Other companies – such as Tarmac, Wimpey and John Mowlem – have formed consortia to build privately financed prisons and hospitals. Trafalgar House, the British construction property and shipping group, has already laid plans to take advantage of government proposals to privatise the electricity supply industry and the water industry.

One of the most promising areas for private finance – in Britain and abroad – is the construction of underground and light rail systems. Schroders, for instance, is currently advising a consortium of Japanese and French companies bidding for a private sector mass transit system in Bangkok.

Although such transit schemes, in Britain and abroad, increasingly involve private finance, most will require some form of public subsidy, either in the form of land or cash.

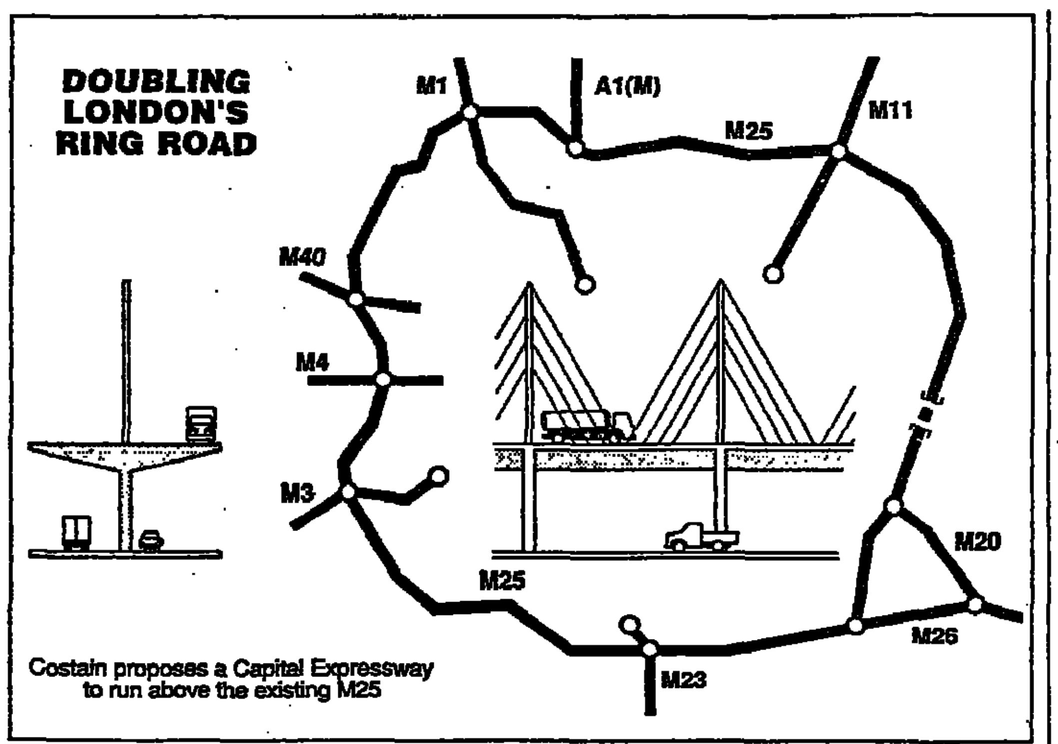
In Manchester, the Government has already given a conditional go-ahead for a £40m light railway system for which Manchester City council will provide part of the public sector's share of the cost.

Cities in the US and Far East have great flexibility to offer financial and planning inducements to private investors. British public bodies have less room for manoeuvre.

The London Docklands Development Corporation proposes to raise private investment to pay for the proposed easterly extension of the Docklands Light Railway by exploiting the increased value of its land along the line. And Olympia & York, the Canadian developer of the Canary Wharf office project in Docklands has already agreed to meet the cost of a westerly extension of the Light Railway to Bank Underground station in the City.

Schemes like these are easier to put together when the railway or public authority already owns the stations or land over which much of the route will pass. Elsewhere much closer co-operation will be required between planning authorities and private investors. This could involve public authorities and Government in a re-examination of therules which govern what planning concessions can be legitimately offered to private companies.

Although many international projects are already under way, the ones on the drawing board for Britain are still dreams. Many of them are likely to remain just that, say the contractors, unless the Government's attitude changes. The Victorian railway entrepreneurs cannot yet be certain of finding their spiritual heirs.



Costain proposes a Capital Expressway to run above the existing M25

Beyond the Welfare State

By Ralph Harris

THE TERM "welfare state" has become a question-begging slogan to justify increasing public (political) spending in ways that evidently yield diminishing returns. It has grown wondrously since 1945, not so much as an amiable Topsy but more like Jack's beanstalk which turned out to conceal an insatiable ogre.

In round terms the cost of state education, health services, housing and social security has escalated to above £90bn, which is over half all government spending (£175bn), which accounts for half the national income.

Parrot cries for still more spending assume that increased inputs of cash must lead to a larger output of services. Yet elementary economic analysis tells why higher costs have not led to an equivalent increase in satisfaction. First, ponder the well-known inflation of costs associated with bureaucracy. Then allow that national control of education, health care and other services is subject to all the customary diseconomies of giantism, made worse by monopoly. Finally, reflect how the absence of pricing in "free" NHS, schools and universities undermines economy and accountability, to say nothing of the destruction of choice by conscripted patients, parents and pupils.

For all the smug, self-righteous talk about the "compassion" of the "caring professions," the reality is "producer capture." In recent years we have witnessed public "servants" including most teachers and some nurses exploit industrial power and moral blackmail to preserve comfortable practices, and obstruct efficiency.

In addition to the economic indictment of overblown state welfare, we have the threat of increasing political corruption. Thus government services are especially vulnerable to the single-issue pressure group, operating on weak politicians via the vote motive. Organised, informed, concentrated lobbies know how to orchestrate their case and prevail against the passive, ignorant dispersed consumer-taxpayer.

But towering above the economic and political defects is the moral indictment. Individuals are treated as objects of paternalistic, condescending pity. Their independence is of no account and they are never responsible for their own circumstances. The result, even of generously conceived state welfare, has been to induce, deepen and prolong dependency – which turns out to be as addictive as drugs or drink and no less destructive of human will and welfare.

Throughout history most human welfare has come from the care of family and the spread of markets.

The perverse outcome of most state welfare follows from a key analytic distinction economists make between "income effect" and "price effect." Thus all subsidies intend to provide a beneficial income effect of increasing the spending power of the recipient. But this assistance also has the unintended, harmful price effect of raising the incentive to qualify for the subsidy or benefit, by remaining – or becoming – "unemployed," or "poor," or "homeless," or even "ill." Who honestly doubts that the dramatic increase in unmarried mothers owes much to the special payments and priority housing won by the pressure group for that anatomical curiosity of "single-parent" families?

The policies that would follow from such a critique are far-removed from the natural political impulse to buy-off (for how long?) every grievance with more of other people's money. The watchwords for the future would rather be self-help, mutual aid, competitive supply, paying for choice, private insurance, prudence and thrift.

Continued unconditional subsidies in cash or kind would increasingly be confined to deserving victims of adversity. For others short-term relief could be accompanied with counselling, pastoral care and good neighbourliness.

Radical reconstruction would thus be informed by a new moral consensus such as operates in Switzerland and is beginning to emerge in the US after the failure of the "war on poverty."

The author is chairman of the Institute of Economic Affairs. His paper, Beyond the Welfare State, is published today by the IEA, price £2.

Letters to the Editor

Measurements matter

From Mr Malcolm Levitt.

Sir, Your article "A Diet for Leviathan" (January 20) contains several references to a study of public expenditure which I supervised, but misleads your readers on the issues involved, especially a major theme of the book – that the public sector has already demonstrated significant productivity growth and that considerable scope for improved efficiency remains.

The absence of productivity growth in the official national income statistics is purely a matter of statistical convention.

The measurement of productivity requires data on inputs and outputs; but the national accounts contain no data on government output. Productivity growth requires that the volume of output rises faster than the volume of input, but in the absence of measures of government output in the national accounts it logically follows that there can be no productivity growth.

Your article treats the absence of measured productivity growth as a reflection of reality, which the book shows it is not. The question of productivity growth is central to the issue of the adequacy of the planned growth of public spending, but your article ignores this point. (Clearly opinions differ over the extent of the growth of productivity in government.)

As for the distinction between the measurement of public spending in "real" and "volume" terms, the former removes from the cash figures the effects of general inflation, and the latter removes the effects of price increases specific to the services in question (in the case of defence and medical equipment, for example, they tend to rise faster than prices generally).

The former is relevant for assessing the financing burden of public spending as it measures both the volume of inputs and any tendency for their relative prices to rise. Expenditure planning in volume terms, practised in the past, provided inadequate incentive to contain costs because in principle it guaranteed that the cash cost of the resources would always be made available.

Finally your article claims, with the alleged support of the study, that there is no difference between government of either main political party in so far as public spending is concerned. This is a major oversimplification of an extended argument which I will not repeat here, save to point out that the study shows that whereas the constraints on public expenditure after the debacle of the 1976 International Monetary Fund negotiations were a matter of regret to the Wilson administration, constraints since 1979 have been a matter of deliberate policy.

Malcolm Levitt,
Ernst & Whinney,
Becket House,
1 Lambeth Palace Road, SE1

Direct elections are unrealistic

From Mr Julian Huckin.

Sir, I cannot agree with your view (January 20) that the least we can do for Hong Kong is to inflict democracy in the form of direct elections, initially to some of the Legco seats.

Many in Hong Kong do not have confidence in China's promises, but it is very much in doubt whether there is a majority for representative government. In any case, to suppose that democracy would be any real safeguard is unrealistic. Should the political colour of Legco become hostile to the interests of China – perhaps through the election of Nationalist candidates – is China to be criticised if she then intervenes in Hong Kong, as the US did in Grenada?

Also, direct elections between now and 1997 could place Britain in potentially embarrassing situations with China. There must be some temptation among would-be political activists in Hong Kong to stir the pot in the hope of pushing the British Government into granting concessions (in such areas as, for example, nationality) in return for their co-operation. It should be remembered that democracy is not a feature of Chinese culture or history. Sir Geoffrey Howe, the UK Foreign Secretary is right to regard the prospect in Hong Kong with the utmost caution.

Members of Parliament, who have already decided that Hong Kong is to be granted no favourable treatment in terms of nationality or immigration rights, would help the situation if they would share the Foreign Secretary's confidence in the undertakings made by China about the future of Hong Kong, rather than increasing the atmosphere of mistrust and uncertainty by their support for direct elections. There is a Chinese proverb which warns against rubbing salt on the head of the tiger.

Julian Huckin,
"Fong Tong",
9 Reddons Road,
Beckenham, Kent

First straighten the priorities

From Mr N.McG. Moore.

Sir, Samuel Brittan's comments (January 21) on public spending priorities strikes a local chord.

In 1979, this community lost an excellent village school on the basis of an (optimistically) estimated saving to the county council of £15,000 per annum. The same council must have been spending a multiple of that figure to raise the height of the kerb along a nearby main road. Now it proposes to spend several million pounds on a scheme to straighten two miles of road between Crowborough and Tunbridge Wells which will serve only to move any traffic congestion two miles further on and ensure that impatient drivers have their accidents at higher speeds.

N.McG. Moore,
Renby,
Eridge Green, East Sussex.

Less protection might encourage EC firms to be more competitive

From Mr David Sawers.

When presented with a prescription for intervention like that in Mr Burton's article on inward investment (FT, January 27), it is always helpful to consider what its implementation would imply.

First, Mr Burton suggests that foreign firms wishing to invest in the European Community would have to agree to undertake research and development. They would then have to recruit local engineers and scientists to do the work. The supply of such people cannot increase in the short term, so the recruits would be drawn from other employers in the EC.

In electronics, at any rate, European companies are already complaining about shortages of engineers; and studies of the Esprit programme have concluded that its effect on the volume of research in the EC is constrained by the supply of research staff. Salaries could be expected to rise, and the amount of research and development (R and D) done by local firms would tend to decrease.

The main effect would be a transfer of R and D activity from local to foreign-owned companies.

Second, he wants foreign firms to make knowledge-sharing agreements with local suppliers, and to be required to incorporate a higher local content in their products. He probably underestimates the amount that European suppliers have already learnt from foreign manufacturers, who require higher quality than their European competitors. But if he wants to require such agreements, he has to specify what knowledge would be shared with suppliers, and how the implementation of the agreements would be monitored.

What would he do, for example, if European suppliers did not want to produce components to Japanese specifications at prices Japanese companies were prepared to pay? Would he expect the European Commission to intervene and set the prices to be paid? And if foreign firms could not find enough local supplies at prices they considered competitive, would he again expect the Commission to intervene in this commercial dispute?

Third, he would require foreign firms to export to markets outside Europe. He presumably hopes that exports from Europe would replace exports from Japan; but, if a market can be supplied from plants in Europe, it might also be supplied by European companies. The required exports from foreign firms in Europe could therefore reduce existing exports from Europe. Would the Commission be expected to nominate the markets to which foreign producers should export?

Fourth, he wants to rationalise sub-scale production by foreign companies in Europe. This objective assumes that the size of plant that is uneconomic is generally accepted. In practice, opinions differ on this subject, and the optimal level will also vary as the production technology evolves. If the Commission tried to specify the sizes of the plants to be built in Europe, it would soon find itself involved in technical arguments with manufacturers who might be supposed to know more than it does on such a subject. Would he extend this control to domestic manufacturers?

Behind Mr Burton's arguments lurks his belief that he is proposing that the Commission should behave like the Japanese government. In fact the consumer electronics industry in Japan has received very little attention from the government, and its flourishing state seems much more the result of unfettered competition than of government intervention.

A more accurate interpretation of Japanese experience might be that European firms need less protection from foreign competition if they are to be encouraged to become more competitive. The restraints on imports into Europe seem more a cause of economic losses in Europe than do any features of the inward investment that they encourage.

David Sawers,
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FINANCIAL TIMES

Monday February 1 1988

Janet Bush on Wall Street

Cashing in on a rare opportunity

TEN-YEAR Treasuries, blue-chip equities, Certificates of Deposit or the Standard & Poors 500? Or St Gaudens, Pandas, Indian Heads and Norma Jeannes?

There are so many strategic investment choices to make in 1988. Should the investor go for steady gains with a blue chip such as the Liberty Twenty Dollar or aggressive growth with a Barber quarter? Or a balanced portfolio?

These are, of course, all rare coins, and there is evidence to suggest these tangible forms of wealth could be starting to enjoy a comeback. Mr Michael Keith Ruben, one industry expert, says: "Numismatic coins have shown amazing strength in times of an unstable dollar, and through the peaks and valleys of the stock market. Not surprisingly, investment-grade rare US coins are finding their way into more and more portfolios."

In December, Fidelity began offering its customers the opportunity to buy gold, silver and platinum directly in amounts as little as one ounce a time. It also gave investors the chance to buy rare coins for the first time.

A spokesman for Fidelity said that various funds based on the stocks of gold exploration, mining, processing and dealing had seen very little extra demand in the wake of October's share-price collapse.

The same story emerges from New York-based Van Eck Securities which, in 1968, launched the first mutual fund to focus on shares of gold mining companies and remains the largest with $900m under management.

Mr Harry Bingham, executive vice-president, said both its gold funds (the other, launched two years ago, excludes South African companies) saw record inflows on October 19. Since then, however, inflows have tailed off to more normal levels.

Rare coins seem to be a different matter. Fidelity says that interest in direct selling of precious metals and rare coins has been substantial over the past month. Given the extreme fear factor now built into the equity market, coupled with the relatively low prices of rare coins, these could be poised for a good year.

They already have a proven track-record. According to figures provided by Salomon Brothers, US coins have outperformed all other investments over the past 15 years. The compound annual rate of return on US coins was 18.8 per cent compared with only 11.9 per cent for gold itself, 8.6 per cent for stocks and 8.7 per cent for bonds. Over the same period, US stamps came a respectable third with a rate of return of 13.6 per cent and diamonds came a rather dull last place with 4.1 per cent.

Talking to experts in the rare-coin industry is refreshing after discussing prospects for the stock market with increasingly bored and frustrated equity salesmen. Imagine how much more exciting it is to deal in a finely crafted, exceedingly rare 150-year-old US gold coin than it is to execute a bargain of 10,000 IBM shares which one never gets to see.

Mr Michael Keith Ruben and his brother Stephen run a rare-coins business in Maryland, just outside Washington. It would be difficult to find two more enthusiastic exponents of the trade.

Michael Keith Ruben Rare Coins Inc is one of more than a hundred market-makers who offer bid and ask prices for coins which have been graded by the Numismatic Guaranty Corporation of America. The formation around a year ago of this independent grading company has set the stage for the development of genuine and liquid trading in rare coins.

The lack of high quality grading before had inhibited investor confidence in coins and blocked the development of a liquid market. All that has now changed. Annual turnover in rare coins is around $2bn and, including gold coins bought as an investment in precious metals rather than collector's items, around $8bn.

There are drawbacks. With average brokers' commissions of around 20 per cent, buying coins should be regarded as a long-term investment rather than a speculative trading opportunity.

Government issuance is also a problem. A strictly limited edition invariably will be marketed at a huge premium which nevertheless attracts heavy demand. The the government then mints some more, the price drops and the investors are left with their own Black Monday time and time again.

To avoid that kind of mistake, ask the experts. According to Stephen Ruben, no collector's coin minted after Buffalo nickels in 1937 is a genuinely good buy.

US takes tough line over Airbus

BY WILLIAM DULLFORCE IN DAVOS

US and European Community attempts to resolve a dispute over government subsidies to the European Airbus consortium have come close to impasse after the presentation of a new US proposal in Geneva.

Mr Willy de Clercq, the EC External Trade Commissioner, said that the proposal showed a hardening in the US position and left open all the key issues.

Mr Clayton Yeutter, the US Trade Representative, who discussed the Airbus issue with Mr de Clercq in the sidelines of the World Economic Forum this weekend, acknowledged that the two sides were still far apart.

Mr Yeutter said: "We are looking for much tougher discipline on subsidies than anything the Airbus governments are ready to offer."

He added that Airbus Industrie, a consortium of French, West German, British and Spanish aerospace companies, would still have an advantage in pricing of roughly $3m an aircraft over its US-built rivals under the new US proposal.

Boeing and McDonnell Douglas of the US accuse Airbus of unfair trading because, they claim, government subsidies amounting to billions of dollars allow it to sell aircraft at cut-rate prices.

However, the proposal, presented last week, did not meet European expectations that the US would offer a formula for controlling aircraft manufacturers' pricing practices.

Control at the sales price level has been seen as a compromise alternative to the scrapping of government subsidies. It would allow European governments to continue to finance Airbus Industrie but would discipline the prices at which the consortium offered its aircraft.

Mr Yeutter said the US had not proposed a formula for disciplining prices because it would "deal with the symbols, not the heart of the problem." The proper way was to discipline the subsidies and deprive Airbus of finance for its "predatory pricing," he added.

In addition the US is still refusing to entertain an EC proposal for a "dollar clause" to be included in an agreement on civil aircraft financing.

Such a clause would enable European governments to compensate Airbus for large depreciations in the dollar exchange rate. Prices for civil aircraft, including those made by Airbus, are usually quoted in dollars.

A crucial showdown at ministerial level over the Airbus dispute has now been postponed until March 18. Mr de Clercq, Mr Yeutter and the trade ministers of the four Airbus governments will meet at Lake Constance just before an informal meeting of world trade ministers.

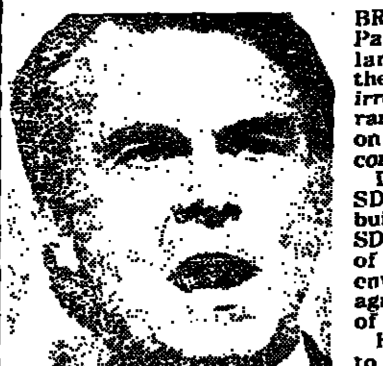
US and EC officials will now have to "go back and re-assess," Mr Yeutter said. Neither he nor Mr de Clercq offered any ideas for breaking the deadlock.

Mr de Clercq saw little chance of reaching agreement and talked of a "confrontation" in March.

However, neither side wants the talks to collapse. A breakdown leading to the imposition of national sanctions in civil aircraft trade would sour the climate in the current trade-liberalising Uruguay round of the General Agreement on Tariffs and Trade.

British party split by merger decision

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN SHEFFIELD



David Owen, above: will work with new party. Robert Maclennan, below: turning "potential into potency."

BRITAIN'S Social Democratic Party yesterday voted by a large majority to merge with the Liberal Party, triggering an irrevocable split within the SDP ranks and setting the two sides on course for future electoral confrontation.

Dr David Owen, the former SDP leader, who intends to build support for the continuing SDP, predicted an initial "trial of strength." However, he also envisaged an eventual electoral agreement in the best interests of both parties.

He said he would be prepared to go on working with the new party. The SDP would not want to act as "spoilers" but if agreement was not possible, his party would not run away from a fight.

Dr Owen said the real test would come when it became clear how many party members decided to remain with the continuing SDP. He believed it would be the majority.

Mr Robert Maclennan, the SDP leader, described the vote as a decisive endorsement of the merger package and said Dr Owen's claims of having more than 20,000 supporters were "fanciful." Opposition to the merger had been marginalised, he said.

Showing no readiness to consider electoral agreements, Mr Maclennan said the level of Dr Owen's support did not suggest he had much scope for negotiating. The new merged party would "stand on its own feet and attract its own support." It would transfer "potential into potency," he said.

Mr Maclennan added: "In isolation, however splendid, Dr Owen cannot look forward to the prospect of a bright political career." He advised the former leader to "take a long holiday" and to reconsider his position.

A clash is already developing over television time since the SDP parliamentary group, controlled by Dr Owen, has sought, and been granted by the BBC, a party political broadcast on March 9. The pro-merger national leadership is protesting vigorously since it is furious at Dr Owen being given free publicity in the week when the new party is formally set up.

At the end of a two-day debate in Sheffield, the 443 registered members of the party's ruling Council for Social Democracy voted by 273 votes to 28 to form a union with the Liberals, to be known as the Social and Liberal Democrats. There were 49 recorded abstentions.

The pro-merger camp claimed the 78 per cent majority among those voting represented an overwhelming vote of confidence. The strength of the opposition was dented by divided tactics: 93 followed the call of Dr Owen not to participate in the vote.

The Owen camp at once claimed the unrecorded voters as theirs and said that, together with the registered abstentions and "no" votes, the pro-merger leadership had failed by 23 to win a two-thirds majority of those attending.

Mr John Cartwright, the SDP MP for Woolwich and Dr Owen's principal lieutenant, said: "The result shows that if we had wished to block the merger, we could have done so."

Following last week's overwhelming vote in favour of merger by the Liberals, the decision paves the way for a ballot of both parties' members in February. Mr David Steel, the Liberal leader, said yesterday that both could "now go forward together, not just with confidence, but with enthusiasm."

A contest for the leadership of the new party now looks likely in the summer.

Pressure from within the SDP for Mr Steel to stand was mounting at Sheffield, though the presence there of Mr Paddy Ashdown, the Liberal MP for Yeovil and the most obvious alternative contender, was being seen as an early indication of his readiness to run.

The merged party created will come into effect - providing there is a simple ballot majority among members of both parties - on March 7.

Warsaw set for major test over imposition of prices policy

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND will today increase food prices by an average 40 per cent, with transport costs, rents and postal rates also rising. The measures are designed to obtain vital energy savings demanded by the World Bank and International Monetary Fund (IMF) as well as to bring prices more in line with production costs.

Prices policy was the subject of a national referendum last November in which the authorities failed to obtain an absolute majority for radical price reform and were forced to scale down their proposals. Nevertheless, the Government faces the question of how workers will react, given that price rises provoked major strikes in 1970 and 1980 but have gone through peacefully since martial law was imposed in 1981.

Today's operation, which the Government says will be compensated for by wage and pension increases, is the largest since 1982. It will also increase prices paid by industry and farmers for materials and components and the amount the state pays for farm produce.

The cost of coal for domestic use is to rise by 200 per cent on April 1, along with increases in the price of gas and central heating.

The Government predicts that inflation this year will reach 45 per cent compared to 26 per cent in 1987. The weakness of the price operation, however, is that it leaves a wider gap between supply and demand than last year, and government subsidies to industry and farming will grow.

As many as 2,000 people marched in Gdansk yesterday to the railway station after morning service at St Bridget's Church, a Solidarity rallying point, chanting slogans against the price rises. The demonstration was unhindered by police and dispersed peacefully.

Radio and television at the weekend devoted many hours to answering people's questions on the rises, pointing out that wages would also rise. The fall in real incomes this year, according to official figures, should be in the region of 8 per cent, compared with 4 per cent in 1987.

● Mr John Whitehead, US Under Secretary of State, began a visit to Poland at the weekend aimed at improving political and economic relations between the two countries.

Ford UK unions call off strike

BY CHARLES LEADBEATER IN LONDON

A NATIONAL strike by UK Ford Motor Company's 32,500 manual workers was last night averted after union leaders agreed to recommend acceptance of an improved three-year pay and conditions offer.

The agreement to recommend was reached three hours before workers were due to start at midnight last night the first national strike for a decade.

The agreement came after seven hours of talks in which the company agreed to improve its pay offer. Manual workers' grade rates will rise by 7 per cent in 1987-88, back-dated to November, and increases worth 2.5 per cent more than the inflation rate in the subsequent years.

The agreement will improve the pay of an average manual worker by £41 from £193 to £233 a week.

Under its last offer, presented to the unions on Thursday, manual workers were offered increases of 2 per cent more than the inflation rate in the final two years.

It was following the breakdown in talks on Thursday that union leaders said they planned to go ahead with a national strike from midnight last night. The strike plan followed ballots ten days ago in which 88 per cent of manual workers voted for strike action.

Mr Mick Murphy, the Transport and General Workers Union national automotive officer and the unions' chief negotiator, said the strike was deferred pending ballots of the workforce on Wednesday at which the unions would recommend acceptance. He hailed the deal as "historic".

Waldheim faces fresh war allegation

BY JUDY DEMPSEY IN VIENNA

DER SPIEGEL, the West German magazine today publishes what it claims to be an authentic document showing that Mr Kurt Waldheim, the controversial Austrian President was involved in the deportation of thousands of Yugoslav partisans to the concentration camps in 1942.

If the document is not a forgery, Mr Waldheim may come under renewed pressure to resign.

The document takes the form of a copy of a telegram apparently sent in 1942 when Mr Waldheim was a junior officer with the then newly set up German *Kampfgruppe Westbosnien*, the fighting group West Bosnia, near Kozara.

It allegedly claims that Mr Waldheim requested the transportation of 4,224 Yugoslav partisans who were prisoners at Kozara in Bosnia to the concentration camps in Zemun, near Belgrade which was under German control.

Mr Waldheim, who was elected president in June 1986 has consistently denied the allegations that he was involved in, or knew about, the deportation of Jews from Salonika to the concentration camps, or the deportation of Yugoslav partisans.

A spokesman for Mr Waldheim said at the weekend there had been many forged documents in the past and that this document was "an apparent forgery."

However, Mr Dusan Plenca, the military historian in Belgrade who discovered the documents, said in this weeks' issue of Profil, the Austrian weekly, that "Mr Waldheim is no war criminal. He was on the staff of General Stahl (the German officer in Yugoslavia) but would have had no information on the criminal orders. But there is enough proof that he was involved in the transportation of prisoners."

The publication of this document coincides with the last meeting in Vienna of the six-man historians' commission set up by the Austrian Government to investigate Mr Waldheim's wartime activities. The commission is due to present its findings on February 8.

World Weather

		°C	°F
Ajaccio	F	13	55
Algiers	S	18	64
Amsterdam	F	7	45
Athens	F	14	57
Bahrain	S	20	68
Bangkok	S	34	93
Barcelona	S	13	55
Beirut	S	18	64
Belfast	S	5	41
Belgrade	F	6	43
Berlin	C	6	43
Biarritz	R	10	50
Bombay	S	32	90
Bordeaux	C	9	48
Brussels	C	5	41
Budapest	C	7	45
B. Aires	-	—	-
Cairo	S	22	72
Cape Town	S	22	72
Caracas	C	24	75
Casablanca	S	17	63
Chicago	R	10	50
Cologne	C	5	41
Copenhagen	C	0	32
Corfu	F	13	55
Dallas	F	17	63
Dublin	S	5	41
Dubrovnik	F	12	54
Edinburgh	F	8	46
Faro	S	15	59
Florence	F	9	48
Frankfurt	C	5	41
Funchal	C	16	61
Geneva	F	3	37
Gibraltar	S	18	64
Glasgow	C	8	46
Guernsey	F	7	45
Helsinki	C	-7	19
H. Kong	C	19	66
Innsbruck	F	4	39
Inverness	S	6	43
Islamabad	S	19	67
Istanbul	R	9	48
Jakarta	R	30	86
Jersey	F	9	48
Jo'burg	S	20	68
Lima	-	—	-
Lisbon	D	14	57
London	S	8	46
Los Angeles	F	9	48
Luxembourg	C	1	34
Madrid	F	11	52
Majorca	S	17	63
Malaga	S	18	64
Malta	F	14	57
Manchester	S	6	43
Manila	S	34	93
Melbourne	F	18	64
Mexico City	S	24	75
Miami	F	21	70
Milan	S	11	52
Montreal	R	5	41
Moscow	S	-15	5
Munich	F	3	37
Nairobi	F	29	84
Naples	F	9	48
Nassau	S	24	75
New Delhi	S	20	68
New York	S	4	39
Nice	S	12	54
Nicosia	S	18	64
Oporto	C	13	55
Oslo	Sn	-2	28
Paris	F	6	43
Peking	S	2	36
Prague	F	3	37
Reykjavik	F	3	37
Rhodes	F	16	61
Rio de J'o	S	40	104
Rome	C	10	50
Salzburg	C	3	37
San Francisco	F	5	41
Seoul	S	-1	30
Singapore	R	28	82
Stockholm	Sn	-3	27
Strasbourg	C	5	41
Sydney	S	28	82
Taipei	R	17	63
Tangier	S	17	63
Tel Aviv	S	23	73
Tenerife	S	19	66
Tokyo	F	12	54
Toronto	C	9	48
Tunis	C	16	61
Valencia	S	15	59
Venice	S	8	46
Vienna	R	5	41
Warsaw	Sn	-6	21
Washington	C	5	41
Zurich	C	2	36

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Venezuela's Eurobond

Continued from Page 1

Treasury bonds, which on Friday was about 7.8 per cent.

By contrast, an issue for Sweden last week was priced to yield 0.75 percentage points above US Treasuries, net of the fees paid to the banks managing the issue.

J. P. Morgan, the US bank which has been discussing such a deal with Venezuela for many months, will lead-manage the issue with Banco de Venezuela, one of the country's largest private sector banks.

The Venezuelan Government has also authorised the Finance Ministry to arrange a Y10bn bond issue, and also plans a D-Mark issue.

Last year, Venezuela obtained more than $865m in financing for major development projects. The private sector, which was virtually cut off from international credit in 1983-84, now has $2.6bn to $3bn in trade lines for imports.

Venezuela's exports last year totalled $10.4bn, up 20 per cent from 1986, with petroleum exports accounting for $9.1bn of the 1987 total. Foreign currency reserves at the end of 1987 were $11.8bn, down from $12.8bn a year earlier.

THE LEX COLUMN

Damping the urge to merge

Some of the country's most acquisitive companies are currently mulling over a projected change in the law which could knock some of their devious schemes on the head – though they are hesitating to say that it will put an untimely stop to the urge to acquire.

The Department of Trade is planning to get rid of the legal nonsense that allows companies to gain maximum accounting advantage by treating their conquests as acquisitions on the one hand and true mergers, in which neither side has the upper hand, on the other. This sleight of hand, used by all the best takeover merchants from Hanson to Blue Arrow, is achieved by applying something called merger relief. This allows companies to write off the goodwill arising from an acquisition against the company's share premium account – provided that court approval is forthcoming, which has not proved a problem in the past.

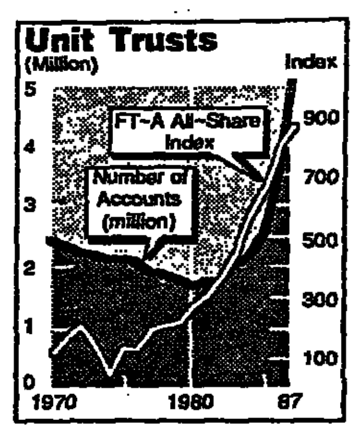
The point of this write-off is simple. If you can't dispose of goodwill at once, it must be written off in future years against profits. Result: lower earnings per share.

After the next Companies Act, says the Department, merger relief will be restricted to cases where companies actually account for business marriages as mergers – a method which involves simply adding together two companies' figures, and so creating no goodwill at all. Bang on cue, the accountants said at the end of last week that they are going to tighten up the instances of when companies can merger account, making an already rare occurrence even rarer.

This leaves some acquirers, particularly of service companies, with large amounts of goodwill and nowhere to go. Writing it off against other reserves may be an option: but the £1bn-plus goodwill arising from the takeover of the likes of Distillers and Imperial would have more than wiped out the reserves of their new partners.

The prospect will appeal to those theorists who believe that companies should write off goodwill against earnings: it is an asset like any other and so should be depreciated, runs the argument. US companies are already forced down this road, so there can be no harm in putting British companies on the same footing. An equally strong argument, though, is that earnings should not be harmed by the depreciation of an asset that doesn't depreciate – or if it does, is replaced through normal trading by newly-generated goodwill. And if companies don't recognise inherent goodwill in their balance sheets, why should they recognise the acquired variety?

There is no easy reconciliation of these views. So what about a good old British compromise: allow companies to write off goodwill through the p&l account, but below the line – a treatment already used by the financial services group MAI (sanctioned by Price Waterhouse). It has the advantage of visibility, particularly if the origin of the goodwill is listed in a note, and does not hit earnings per share. The purists wouldn't like it, but at least it might be accepted: and that, after all, is the most important thing for any accounting standard.



Unit trusts

The DTI's new regulations on unit trust pricing mark a sea change in the way the industry conducts its business. For some unit trust groups, the new rules could even determine whether they will be able to survive long term in a sector which is overdue for a shakeout.

The growth of the industry over the past decade has been phenomenal. Since 1977, the number of trusts has nearly trebled to more than more than 1,100 and, despite the impact of last October's stock market crash, the value of funds managed by UK unit trusts in 1987 rose to £36.3bn. But one has only to look back to the early 1970s to find a period when growth was not taken for granted. Between 1970 and 1978, for example, the number of unit trust accounts steadily declined, and did not recover fully until 1985. The fear must be that the recent sharp downturn in world equity markets may lead to a repetition, as small investors opt to put their savings in less risky investment vehicles. If this were to happen, it would seriously exacerbate the problems of an industry which is already caught in a pincer of rising costs and declining revenues.

The fall in the stock market has reduced the amount unit trust groups earn from management fees by perhaps a third, while the sharp slowdown in new investment has led to a dramatic drop in front-end charges, which can account for up to half the profits of the smaller and faster growing managers. At the same time running costs have been rising rapidly, partly to cover the increased regulatory burden. Add in the DTI's new regulations and it could be the final blow for some smaller groups which rely for as much as a third of their profits on dealing in their "box" of unsold units created at lower prices.

The potential for making handsome dealing profits has been largely removed by the new regulations. This factor, when taken together with the much tougher rules on the rounding of unit trust prices – which could earn managers an extra half percentage point – means that unit trust group revenues are under severe pressure. Even for the bigger groups which never relied on back creation of units, or roundings, the DTI regulations will involve heavy investment in new computer systems. There is already concern that the July 1 deadline is too tight. An added worry is that the move towards a US-style system, where units are priced after an order is taken – so-called forward pricing – may well temper investors' appetites.

Against this background, there is a need to boost revenues, and higher annual management fees seem inevitable over the next few years. Raising charges from their current level of 1 per cent, to 1¼ per cent say, could add close to £100m a year to revenues. However, higher charges are not a short-term solution, especially for those firms which are heavily reliant on new business. The increased regulatory burden puts a premium on economies of scale, and this should help the relatively small bunch of unit trust groups which have over £500m of funds under management. For the rest, a period of considerable consolidation appears inevitable.

صكرا من الاصل

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday February 1 1988

INTERNATIONAL BONDS

Investors rush to fill dollar void in portfolios

BY CLARE PEARSON IN LONDON

IT'S LIKE a dream come true for Eurobond syndicate managers. For once, they are actually making money on new Eurodollar fixed-rate issues as investors rush to fill the void in the dollar section of their portfolios.

"No one could possibly have expected anything like it," said one, surveying last week's $2.15bn worth of bonds, which brought total issuance so far this year to a striking $4.5bn. Many of the bonds are for the most popular borrowers and almost all have traded at levels profitable to underwriters.

In the background have been the extraordinary price gains in the US Treasury bond market, which have outpaced all other main bond markets so far this year, spurred on by a stream of encouraging economic data.

The two key pieces of good news have been the November US trade data which, if only temporarily, lifted the threat of a further attack on the dollar, and last week's fourth-quarter GNP figures, which added the prospect of a recession to an improving trade balance.

This has created intense demand for new Eurodollar bonds and new-issue managers have been more than happy to satisfy it, adding last week longer-dated bonds to the very short-dated issues that predominated at the beginning of the month.

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	128.6	0.0	211.0	8,271.9
Prev	60.3	0.7	7.0	6,834.5
Other	1,248.3	0.9	0.0	668.2
Prev	1,179.2	0.0	1.2	732.9

Secondary Market

US$	18,766.4	2,109.8	9,284.0	5,746.3
Prev	15,231.5	1,613.4	9,591.9	6,081.4
Other	22,605.2	933.8	2,656.4	19,966.4
Prev	23,921.3	979.7	3,544.5	19,502.5

	Cedel	Euroclear	Total
US$	12,103.8	32,414.2	44,518.0
Prev	11,359.4	28,061.3	39,420.7
Other	21,433.4	26,645.8	48,079.2
Prev	22,042.3	27,819.0	49,861.3

Week to January 28,1988 Source: AIBD

Investors have responded with far less cynicism than was formerly their wont. Instead of waiting for a few days after a bond has been issued – on the grounds that its yield spread will widen out – they have been buying right from the launch.

This is mainly because almost all this year's bonds have been seen as reasonably priced, necessitating in some cases – notably the $400m bond for **Belgium** – complex swap arrangements to enable borrowers to arrive at target funding costs.

The buying interest has come not only from institutions but also from small Continental investors, as dollar bonds have increasingly featured on the buy lists circulated through European banks' branch networks.

The Japanese have also become more active as the month has progressed. Unlike the Europeans, who are chiefly concentrating on shorter-dated deals, they appear interested in bonds further out along the maturity spectrum, as long as they are for the best quality credits.

However, though the market is now in far better shape than it has been for about a year, syndicate managers still see it operating within distinct limits both in terms of the borrowers that can tap it and the kinds of issues that can be launched.

Sovereign, supranational and state-backed names all went down well last week. The burden of the overall level of supply fell instead on the crop of bonds for financial institutions, which were perhaps the product of syndicate managers searching around for mandates toward the end of the week.

On Friday, for instance, **Creditanstalt-Bankverein's** three-year deal was bid at levels outside its total fees, as was UK building society **Abbey National's** five-year bond.

Dealers noted that though Chase Investment Bank, the lead-manager, was doing a good job at distributing the issue, building societies were still seen as a "hard sell" to investors outside the UK.

It is not yet clear whether the Eurodollar market is open to corporate borrowers. **GMAC** tapped the market earlier in the month but, since it is almost an all-weather borrower, this bond says little about overall demand for corporate debt.

Triple B rated **Chrysler Financial Corporation's** deal, which appeared late on Friday, may be a better test. It was notable that, as a sweetener, this was structured as a two-year deal with options for the investor to extend the issue out to five years.

Nor is it clear whether investors have enough confidence in the bond markets to extend maturities to the 10-year area of the yield curve. **Sweden** managed to issue a 10-year bond on Monday, which performed well in the subsequent rising market, but dealers were unsure how much of the paper had found its way into firm hands.

Certainly, by the end of the week there was some concern about whether the long end of the US Treasury market had gone too far, too fast during its sharp rally. No further 10-year deals were expected early this week, with the US Treasury auctions looming.

Most other currency sectors of the Eurobond market took their cue from the dollar sector last week and surged ahead accordingly. The Eurosterling market saw three new issues, including those for **British Airways** and **British Telecom**, both launched on Friday morning.

Of the two, it was Triple A rated BT's deal that sparked the market's imagination, since it marked the company's debut in the Eurosterling sector and came amid thin supply of high-quality five-year paper.

The chief appeal of British Airways' bond looked to be its 10 per cent coupon but dealers noted that Eurosterling investors too were fighting shy of longer-dated bonds.

Okuma president quits after demand from group's union

BY IAN RODGER IN TOKYO

THE PRESIDENT of Okuma Machinery Works, one of Japan's leading machine-tool makers, has agreed to a demand by the company's trade union that he resign. Mr Takeo Okuma said in Nagoya on Saturday that he would stand down at the annual meeting in June.

The union was moved to its unusual – for Japan – confrontation because it believed the board had not honoured commitments made 10 years ago that future top executives would be appointed on merit rather than on family connections and that the union would be involved in management decision making.

At the time, the company was experiencing financial difficulties, and in return the union agreed to an austerity programme including redundancies.

In the early 1980s Okuma, in common with many Japanese machine-tool companies, enjoyed good growth. In the past year, however, things have gone sour because of the high yen and restraints on exports. In the six months to last September the company suffered its first operating loss in nine years.

The union said Mr Okuma had given jobs to all five of his sons including the appointment of Mr Hajime Okuma, the eldest, as vice president. It also objected to the president having spent company money last year to buy a country villa, and threatened a strike.

Mr Okuma senior gave in, apparently under pressure from Tokai Bank, a significant shareholder. Mr Akira Matsutani, a vice president of Tokai, will take over as president.

EURONOTES AND CREDITS

Quick, flexible financing draws in BAT Industries

BY ALEXANDER NICOLL IN LONDON

THE $3.2bn loan raised by **BAT Industries**, the UK conglomerate, last week is further proof of the Eurocredit market's value in providing money quickly, quietly and flexibly.

BAT is making a hostile $4.2bn bid for Farmers Group, a US insurance company. Last year it watched British Petroleum raise $5bn in days – banks actually committed $15bn – to finance its Standard Oil purchase.

"Clearly, the market was capable of it," Mr Richard Desmond, BAT group treasurer, says. "We chose a Eurocredit because of flexibility, including the ability to draw in both London and New York, because of attractive pricing and because it was a way of bringing in the company's major relationship banks.

It could also be achieved with discretion. J. P. Morgan, the arranger, as it was for BP, issued invitations last Monday and, by the time news leaked out on Friday afternoon, the deal was all but done.

By late Friday night, commitments had been received from 31 leading banks. The largest commitments were hardly insignificant: a $130m slice gives lead manager status, while $110m qualifies for manager.

The four-year revolving credit carries a facility fee of 10 basis points and a margin of 8.5 basis points above London interbank offered rates (Libor).

If drawings exceed $1.6bn, the margin is 12.5 basis points on the full amount. This gives a potential total return of 22.5 basis points, viewed by bankers as being fair and even a touch generous – although the need for rapid, discreet arrangement is sufficient rationale for that.

BAT has told banks that, provided the bid goes ahead, there is a stronger chance that a substantial portion of the facility will actually be used than there was with BP.

The credit is to be seen as the core financing for the bid, though the company – which is in any case a strong cash generator – also has a $1bn US commercial paper programme, a $300m Euronote issuance facility and a £200m commercial paper programme.

These programmes have been mainly used to keep BAT's name in front of investors, and the NIF has never been used.

BAT decided on Morgan without soliciting other banks – a process it thought would be invidious among its closest relationship banks. Morgan's handling of the BP deal clearly helped, but BAT has had a strong relationship with them for 86 years.

A £300m Eurocredit announced on Friday by Tricentrol is currently all on the books of Manufacturers Hanover Trust and secured on "substantially all the company's assets," according to the lender.

The UK oil company, defending itself against a bid from Elf-Aquitaine and a potential bid from Atlantic Richfield, is paying 1½ percentage points above Libor plus undisclosed fees.

The deal is due to be syndicated "in due course," although circumstances may obviate the need to do so.

Elsewhere, the flow of deals is not matching the high expectations held out for 1988, although a number of well-known borrowers are keeping banks in suspense. **Bank of Greece** has asked banks for bids on a $300m financing, and **Credit Foncier** is still expected soon.

A rare project financing for a Venezuelan petrochemical plant, to be built to meet demand for unleaded petrol, is being syndicated on a club basis by Manufacturers Hanover.

It consists of a $90m 11-year credit, which is Italian risk, and has a 75 basis point margin over Libor, and a $70m official Italian buyer credit. The borrower is **Super Octanos**, owned jointly by Ecofuel of the Italian ENI group and Petroqimica de Venezuela.

Hammerson Property Investment and Development of the UK is seeking a $150m-note issuance facility through Bank of Montreal Capital Markets and Morgan Grenfell.

Household Finance is to have a $200m medium-term note programme arranged by Swiss Bank Corporation International.

Polly Peck International has mandated Credit Suisse First Boston for a £50m three-year multiple-option facility with a 20 basis point facility fee and a 42½ basis point margin.

Samuel Montagu is arranging a £50m multiple-option facility for Fitch Lovell, the UK food producer and distributor.

'Fierce competition' hits earnings at Petrofina

BY DAVID BUCHAN IN BRUSSELS

PETROFINA, the Belgian oil company, showed a fall in 1987 profit to BFr17.54bn ($500.4m) from the previous record BFr18.4bn because of renewed price competition in downstream refining and lower natural gas prices.

Petrochemicals underwent an unprecedented upswing, enabling Petrofina to operate its plants at full capacity with satisfactory profit margins.

However, "the revival of fierce competition" in refining, in Europe and the US, sent the profitability of downstream activities into "sharp decline."

This masks an improvement by American Petrofina, its US subsidiary, which produced net earnings of $83.3m compared with a loss of $24.6m. The parent's board is lifting the dividend to BFr380 from BFr360.

Telefonica, the Spanish telephone monopoly, increased net profits to Pta53.2bn ($468.5m) last year from Pta45.2bn. Revenues, at Pta568.7bn, were up 16.6 per cent.

Mr Ludwig Huber, president of the state-owned Bayerische Landesbank, has resigned following controversy over alleged business involvements outside the bank.

Heads of state banks in West Germany may not have personal interests in commerce. He had denied wrongdoing.

Metro International, a Swiss cash-and-carry chain, has moved to majority ownership of Kaufhof, West Germany's second largest retail chain.

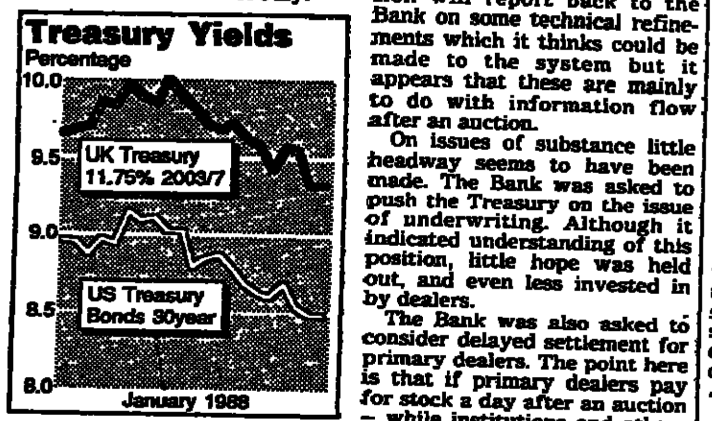
Nestlé group consolidated turnover fell by about 7 per cent last year to SFr35.2bn ($25.7bn) but, the Swiss parent company said earnings should at least match the 1986 record of SFr1.79bn.

UK GILTS

Strong institutional domestic demand

THE gilt-edged securities market extended its rally last week. Trading was good and the last few days of the week saw strong domestic institutional demand. Over the week prices at the long end rose more than a point to leave the yield on the Treasury 11¾ per cent 2003/07s at 9.38 per cent.

The market is still taking its lead from the US where the bond market, believing a significant slowdown in the US economy is in train or in prospect, pushed yields on 30-year Treasuries below 8½ per cent for the first time since last July.



The relationship between the UK and US markets is indicated in the accompanying chart. Gilts have not followed US Treasuries all the way and there are many who believe that prices have some way to rise before they peak.

Although short-term trading will take its lead from the US, there are some who believe that concern over the UK economy will soon become the predominate influence. When that happens the market may find it has built a bull trap for itself. "Sooner or later the market has to take on board the fact that this economy is quite strong," said Mr Richard Jeffrey of Hoare Govett.

Last week's CBI industrial trends survey said more in favour of the "strong economy" view of the UK than the contrary, while the industrialists' anticipation of future export orders only served to reinforce gloom over the outlook for the current account. The trade figures also did little to support those who see the economy slowing down.

According to Mr Gavyn Davies at Goldman Sachs: "Given the continuing fragility of equities, the most likely outturn is that the authorities leave base rates unchanged for a while, but any deviation from that would be more likely to involve a rise than a fall."

● The meeting between the Bank of England's Mr Eddie George and Mr Ian Plenderleith and senior representatives of the gilt-edged market last Thursday night appears to have settled the matter of gilt auctions but it is hard to see what, at this early stage, the 24 gained by their fulsome endorsement of the system.

The market makers' association will report back to the Bank on some technical refinements which it thinks could be made to the system but it appears that these are mainly to do with information flow after an auction.

On issues of substance little headway seems to have been made. The Bank was asked to push the Treasury on the issue of underwriting. Although it indicated understanding of this position, little hope was held out, and even less invested in by dealers.

The Bank was also asked to consider delayed settlement for primary dealers. The point here is that if primary dealers pay for stock a day after an auction – while institutions and others have to provide same-day funds the day of an auction – then end-investors will be encouraged to bid for stock through dealers. Mr George pointed out that most business was already done through dealers.

Perhaps one of the most interesting aspects of the meeting and its aftermath was the way in which many in the market had comprehensively misread the Bank's attitude to auctions. It seems as though it focused too closely on issues of power and control while failing to notice that auctions were only ever designed to play a small part in overall funding. Also, a "technical" success is, after all, a success if your main business is selling something.

If auctions are to continue, as now seems likely, it appears doubtful that the problems which dogged them in the past can be rectified by modifications at the margin. Last month's auction – where a week of when-issued trading failed to arrive at an equilibrium price for the stock – exposed weaknesses which can be ascribed only to the way auctions were conceived.

Simon Holberton

US MONEY AND CREDIT

Treasury market throws caution to the winds

US TREASURY bond yields have plunged to their lowest levels since June last year on belief that the US economy is decelerating sharply into the first quarter.

The market appeared to have thrown all caution to the winds as prices continued to move higher on Friday despite the imminence of the Treasury's $27bn refunding which starts tomorrow with a $9.5bn sale of three-year notes. Given the substantial decline in yields, normally one would expect the market to back off and start to worry about demand at the auction.

There is always a distinct danger when a market appears to have hit on a consensus of a sharp reversal in its fortunes. While the market settled comfortably into a bear track on the economy, mixed signals emerged from the US Federal Reserve Board, whose perception of the economy of course remains the key to interest rate prospects.

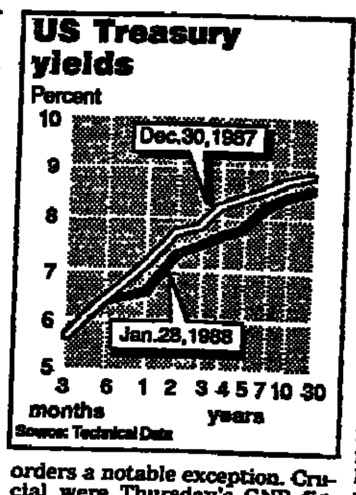
On the side of the markets was Fed governor Martha Seger who told an audience of investors in Florida last week that she would not be surprised to see negative growth in the first quarter and even in the second quarter.

Meanwhile in Davos, one of Switzerland's premier ski resorts and host to the World Economic Forum, governor Robert Heller gave a more measured view of Fed policy. He remarked that monetary policy has been appropriate and must continue to be carefully balanced to achieve the Fed's objectives of continued economic expansion and controlled inflation.

Back at the White House, Mr Beryl Sprinkel noted that growth in money supply had been extremely subdued and if that were to continue, economic growth could fall short of the 2.4 per cent forecast this year. These remarks seemed indicative of concern within the Administration about a slowdown in growth which could help Democrats on the campaign trail and put some pressure on the Fed to ease monetary conditions.

The weight of opinion in the bond market suggests the Fed will decide to ease. However, there are are number of key events in between, notably a number of leading economic indicators and this week's Treasury auctions.

Last week's run of economic figures pointed to weaker growth, with durable goods orders a notable exception. Crucial were Thursday's GNP figures for the fourth quarter, showing a substantial build-up of inventories and a deflator number which showed lower than anticipated inflation.



The market is also becoming highly sensitive to weekly figures for unemployment insurance claims which have started to rise dramatically. On Friday, unemployment data for January will be published, with many economists looking for a rise of less than 200,000 in the non-farm payroll which would represent a marked deceleration in monthly jobs gains.

By the time those figures are released, the Treasury will have completed its refunding. The market goes into the auctions in a highly positive frame of mind, despite the sharp fall in yields this month.

One key factor has been substantial purchases of US paper by foreign central banks seeking to invest their huge dollar reserves built up through currency market intervention. This has meant a lower than anticipated overall funding requirement.

Another important factor has been talk emerging from Tokyo. Speculation that the Bank of Japan could shift its US bond portfolio longer helped as did a bullish interpretation of a speech by a leading Japanese insurance executive.

There is some scepticism in Tokyo that the Bank of Japan will be active in the auctions itself but there is no doubt that reports of its portfolio strategy in themselves have helped boost sentiment.

And never forget politics. Mr David Hale, economist with Kemper, says: "The Bundesbank and the Bank of Japan should declare themselves as a Republican party political action group."

He argues that it is clearly in the interests of foreign officials to help the US Treasury in any way they can to ensure the smooth and positive running of financial markets in election year. Imagine, he says, the dismay of the Japanese authorities looking at opinion polls in Iowa where Mr Richard Gephardt, sponsor of a highly protectionist trade bill, seems to be holding a slim lead.

* * *

The following are the economic indicators due for release this week, together with market expectations as surveyed by Money Market Services of Redwood City, California:

● Leading indicators (Tuesday 8.30am) are expected to have fallen 0.2 per cent in December with the range of forecasts from minus I per cent to plus 0.6 per cent.

● Manufacturers' inventories, shipments, net orders (Wednesday 8.30 am). Orders are estimated to have risen by 3.1 per cent to 4 per cent in December.

● M1 money supply (Thursday) is expected to have risen by $3bn in the latest week although forecasts range from minus $2bn to plus $5.5bn.

● Employment (Friday 8.30am). The total jobless rate is expected to be 5.8 per cent in January with forecasts ranging from 5.7 per cent to 6.0 per cent. The non-farm payroll is expected to have risen by between 160,000 and 250,000.

● Consumer credit (Friday) is forecast to have risen by between $2.5bn and $3bn in December.

Janet Bush

US MONEY MARKET RATES %

	Last week	1 week ago	4wks ago	12-month high	12-month low
Fed Funds (weekly average)	6.66	6.78	6.81	7.78	5.98
Three-month Treasury bills	5.65	5.81	5.71	7.17	5.03
Six-month Treasury bills	6.02	6.19	6.18	7.65	5.39
Three month prime CDs	6.73	6.85	7.20	8.28	5.88
30-day commercial paper	6.63	6.65	7.30	7.62	5.93
90-day commercial paper	6.70	6.70	7.20	8.05	5.80

US BOND PRICES AND YIELDS %

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	103	+1⅛	8.06	8.28	8.57
20-year Treasury	108¼	+2¼	8.47	8.71	8.97
30-year Treasury	104¾	+2⅝	8.43	8.66	8.90
New 10-year A financial	n/a	n/a	9.13	9.38	10.00
New AA Long utility	n/a	n/a	9.38	9.63	10.00
New AA Long industrial	n/a	n/a	9.25	9.60	9.90

Source:Salomon Bros (estimates)

Money supply: In the week ended January 18, M1 rose $3.3bn to $761.5bn

NRI TOKYO BOND INDEX

December 1983 = 100	28/1/88	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	141.67	4.46	141.41	137.66	135.04
Government bonds	142.26	4.14	141.90	138.89	135.68
Municipal bonds	143.31	4.82	143.15	137.74	135.27
Govt-guaranteed bonds	144.71	4.83	144.50	138.56	136.06
Bank debentures	136.11	4.24	135.97	133.29	131.20
Corporate bonds	140.92	5.39	140.80	135.80	134.93
Yen-denom foreign bonds	141.09	6.53	140.90	138.34	138.34
Government 10-year*	4.90	–	4.93	5.20	5.13

*Estimated par yield

Source: Nomura Research Institute

Cogema lays charges over futures losses

COGEMA, the French state-controlled nuclear fuel company which in December admitted it had lost FFr250m ($44.2m) in investments in the financial futures market, has filed charges of breach of confidence and fraud.

Buisson, the stockbroker through which Cogema invested about FFr300m of its treasury funds in financial futures and options, was recently banned from dealing on the Matif, the two-year-old Paris futures exchange.

The stockbroker is also considering a suit against Arbitrage SA, an associated company headed by Mr Jean-Marc Aletti, to which it subcontracted all its Matif dealings.

The charges threaten to raise new questions about the functioning of the Matif, which has been accused of everything from increasing the volatility of France's financial markets to bleeding the treasuries of naïve industrialists.

The market has, in fact, performed remarkably well in difficult conditions, continuing to function throughout the most turbulent days of October.

Some market users, however, have become worried about the safety of using the market.

The simplest danger is the butterfly deal: a broker simultaneously buys and sells the same number of contracts, repeating the operation some time later when the price has moved.

The operation yields an automatic profit on one side and loss on the other, without any real exposure, and is difficult to control

Cogema appears to have left complete discretion to its agents without monitoring its account closely.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

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Amoco clears Dome hurdle

By Robert Gibbens in Montreal

AMOCO CANADA has cleared one of the final hurdles to its C$5.5bn (US$4.3bn) acquisition of Dome Petroleum, the debt-laden energy company, with a ruling by a Calgary judge that Dome preferred shareholders cannot veto the deal.

They represent only 1.5 per cent of Dome shares but had sought to be treated as a separate voting class, arguing that Amoco's offer undervalued the company.

Meanwhile, Amoco in the US reported 1987 net earnings of $1.36bn or $5.31 a share, up from $747m or $2.91. Revenues grew to $22.4bn from $20.2bn. A sharply improved fourth quarter brought net profits of $377m or $1.47 a share against $165m or 65 cents. Turnover was $5.9bn against $4.8bn.

●Nova, a large Calgary energy and chemical group, is seeking effective control of Polysar Energy and Chemical, the rump of the privatised Canada Development Corporation, for C$182m.

Nova, which recently bought Union Carbide Canada's Ontario polyethylene plant, is offering C$14 a share for 13m Polysar shares. This would bring its total holding to almost 25 per cent, the limit now allowed for Polysar. However, it wants to negotiate full control.

Polysar's petrochemical business is profitable and its Canterra oil and gas subsidiary has been turned round but has C$1.5bn debts. Noranda owns 10 per cent of Polysar.

●Cominco, Canada's largest lead and zinc producer, has reported a sharp upturn in fourth-quarter profit on the back of higher prices and sales volumes, writes David Owen in Toronto.

Earnings totalled C$49.7m or 64 cents a share against just C$1.4m (a loss of 3 cents a share) in 1986. Sales amounted to C$397.8m compared with C$337.3m. Full-year net profits were C$172m or C$2.18 a share on sales of C$1.31bn, against a loss of C$151.6m or C$2.53 on sales of C$1.23bn.

●Magma Copper, the only "pure" US copper company, said its 1987 loss – so far unstated – is expected to increase by about $25m because it had closed out forward sales contracts. In the first nine months Magma reported a net loss of $3.38m.

Nordstjernan seeks ABV control

BY SARA WEBB IN STOCKHOLM

NORDSTJERNAN, Sweden's largest privately-owned company, is bidding about SKr2.2bn ($365.3m) to take full control of ABV, the country's second largest construction group.

Nordstjernan – which has interests in shipping, construction, property and steel – aims to combine ABV with its own Johnson Construction (JCC), challenging Skanska, Sweden's leading building and construction group. It already controls 35 per cent of ABV's votes and 18 per cent of the share capital.

As Nordstjernan is offering either cash or a combination of shares and cash to ABV shareholders, the deal would help to widen the ownership structure of the group and enable it to apply for a stock exchange listing, which is one of its ultimate goals.

However, the bid has already met with opposition from significant shareholders in ABV, including the Fourth National Pension Fund and the ABV employees' pension and share funds. The ABV board is due to meet on Wednesday to discuss whether it should recommend or reject the bid.

With JCC already ranking fourth in the building industry, Nordstjernan claims the new group would have a turnover of SKr27bn, profits of SKr800m, and 30,000 employees.

By contrast Skanska, with the same number of staff, is expected to show turnover in 1987 was SKr19bn with profits at SKr1.7bn.

Over the last few years Nordstjernan has been restructured, turning a loss of SKr150m in 1984 to a forecast profit of SKr650m for 1987. The construction industry is seen as one area where the group needs to expand.

The Johnson family owns 75 per cent of the capital and controls 96 per cent of the votes but, if the bid succeeds, the family's voting stake would be reduced to about 57 per cent.

The pure cash offer of SKr325 a share represents a premium of about 8 per cent on last week's closing price. In December, Nordstjernan bought a stake in ABV from Pronator, a consultancy group, which gave it 35 per cent of the votes and 18 per cent of the capital.

●Aker Norcem, the Norwegian engineering and construction group, has reported profits before extraordinary items of NKr450m ($70.6m) for 1987, its first year as a merged entity. Combined 1986 earnings for the two components were NKr404m.

The latest period drew further benefit from special gains of NKr300m from asset disposals.

●Skandia, the Swedish insurance company, lifted pre-tax profit 15 per cent to SKr1bn last year, from SKr871m. It attributed the improvement to lower operating costs and higher return on capital, while noting that the cost of claims rose faster than premiums.

Special gains from asset sales fell to SKr252m from SKr646m; but the company registered a SKr585m credit by correcting the value of shares acquired in a purchase.

Ferruzzi reorganisation safeguards family's grip

BY DAVID LANE IN MILAN

FERRUZZI, the Italian agri-industrial group headed by Raul Gardini, is to reorganise its subsidiaries in an operation which will involve mergers, the transfer of assets and share offers.

In December, Mr Gardini replaced Mr Mario Schimberni as chairman of Montedison, the chemicals company in which Ferruzzi has a controlling stake. Board meetings in Milan on Saturday have now established Ferruzzi Finanziaria as the parent company.

Mr Gardini said that the measures will allow a significant reduction in Montedison's debt which is high as a result of acquisitions made during 1987.

Ferruzzi Finanziaria is to seek a stock market listing. However, the Ferruzzi family, currently the sole shareholder, has decided to set up a limited partnership which will hold all the family's shares. The move aims to safeguard the family's grip on the company.

Under Ferruzzi Agricola, activities including sugar, starch, edible oils and proteins will be headed by the Eridania subsidiary. This leaves Montedison with chemicals, pharmaceuticals and energy.

Ownership of the Rome daily newspaper Il Messaggero will pass from Montedison to Ferruzzi along with Iniziativa, until now the umbrella for service industry activities, which controls the La Fondiaria insurance company and Standa, the large retail chain.

Shareholders will receive 15 shares in Ferruzzi Finanziaria for every four in Iniziativa. Montedison shareholders will be given the opportunity of buying the shares which Montedison will hold in Ferruzzi Finanziaria following the transfer of Iniziativa. The offer price will be decided nearer to the operation.

Strong sales lift income at McDonnell Douglas

BY JANET BUSH IN NEW YORK

McDONNELL DOUGLAS, the St Louis-based aerospace and defence manufacturer, shrugged off a decline in combat aircraft sales to boost earnings in 1987.

Firm sales of transport aircraft, space and information systems and missiles helped net earnings climb to $313m or $7.75 a share, compared with $277.5 or $6.86 a share in 1986. Sales increased to $13.15bn from $12.66bn.

In the final three months the company reported net earnings steady at $92.6m, although on a per-share basis they rose to $2.32 from $2.29. Profits in the fourth quarter were inflated by about $27m because of a decline in corporate income tax.

Earnings in the company's transport aircraft division were helped primarily by a $40m pre-tax gain from the sale of DC-9 jetliners to an airline which had been leasing them.

The sale of the company's interest in an aircraft leasing business brought in another $12m.

McDonnell Douglas noted that the costs of developing its new MD-11 jetliner and cost problems associated with production of its MD-80 jetliners continued to slow earnings.

Income from space systems and missiles was helped by higher productivity, achieved in spite of pre-tax write-offs of $14m for the elimination of product lines.

The company's combat aircraft earnings declined substantially due to production problems and increased research and development spending on the US Air Force's tactical fighter.

The write-off of investments and costs associated with restructuring and consolidation of product lines contributed to a fourth-quarter decline in the information systems group.

Conrail reports earnings of $299m for full year

BY OUR NEW YORK STAFF

CONSOLIDATED RAIL, the former nationalised US railroad company floated on the stock market last March, made net profits of $79m or $1.15 in the fourth quarter and $299m or $4.34 a share in 1987.

The company also issued another set of results, adjusted downwards by various accounting changes and tax charges, to provide comparability with pro-forma profits that Conrail would have earned in 1986 had it then been in private ownership.

On this pro-forma calculation, Conrail's net income was $75m or $1.09 in the last quarter, compared with $59m or 85 cents a year earlier. Its annual pro forma income was $250m or $3.62, compared with $208m or $3.01.

Conrail's revenues increased 5.9 per cent in the fourth quarter to $840m, while full-year revenues were 3.3 per cent higher at $3.25bn. In volume terms, tariff tonne miles increased by 10.4 per cent in the fourth quarter.

The breakdown of Conrail's traffic by industry closely reflected shifts in the US economy's sectoral performance. The fastest growth came from metals and related products, up 53 per cent, with coal up 13 per cent and chemicals up 9 per cent.

Automotive and vehicle traffic declined by 2 per cent, reflecting the downturn in the US motor industry.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Toyo Construction◊◆	50	1993	5	5	100	Nomura Int.	5.000
Yuasa Battery◊◆	50	1993	5	5	100	Nomura Int.	5.000
Optec Dai-Ichi Denko◊◆	70	1993	5	5	100	Yamaichi Int.(Eur)	5.000
Nippon Sheet Glass◊◆	100	1993	5	5	100	Daiwa Europe	5.000
Topy Industries◊◆	70	1993	5	5	100	Nikko Secs (Europe)	5.000
Settsu Corp.◊◆	100	1993	5	5	100	Daiwa Europe	5.000
Sweden◆	350	1998	10	9¼	101	Merrill Lynch	9.094
Creditanstalt B'verein◆	150	1991	3	8½	101⅛	Chase Inv. Bank	8.039
Sumitomo Metal Mining◊	150	1993	5	(5)	100	Daiwa Europe	*
Norsk Hydro◆	150	1994	6	9	101½	SBCI	8.669
Finnish Export Cr.◆	200	1992	4	8½	101½	Merrill Lynch	8.047
Nissan Motor Co.◊	500	1993	5	(5)	100	Yamaichi Int.(Eur)	*
Abbey National◆	150	1993	5	8⅞	101¼	Chase Inv. Bank	8.557
Commerzbank O'seas Fin.◆	100	1992	4	8⅝	101½	Commerzbank	8.170
Cariplo◆	100	1993	5	8⅝	101¼	Credit Lyonnais	8.309
Shimadzu Corp.◊	120	1993	5	(5)	100	Nikko Secs (Europe)	*
Nankei Elec.Railway◊	100	1993	5	(5)	100	Daiwa Europe	*
EEC◆	200	1992	4½	8⅜	101½	IBJ Int.	7.944
Belgium◆	400	1993	5	8½	101¼	Bankers Trust Int.	8.185
Osaka Gas◊	100	1993	5	(5)	100	Nomura Int.	*
Chrysler Fin.Corp.◆	100	1993	5	8⅜	100⅜	Banque Paribas	8.280
CANADIAN DOLLARS							
EIB◆	130	1998	10	10⅛	101¼	McLeod Young Weir	9.922
Kansallis-Osake-Pankki◆	75	1993	5	10	101½	Bankers Trust Int.	9.608
Ville de Montreal◆	75	1993	5	10	101¾	Societe Generale	9.544
World Bank (b)◆	150	2008	20	10½	100	Dominion Secs.	10.500
AUSTRALIAN DOLLARS							
Cr.Lyonnais (Australia)◆	75	1991	3	13	101⅜	Hambros Bank	12.268
Westland-Utrecht H'bk◆	50	1993	5	13	101⅜	EBC Amro Bank	12.568
GMAC Australia Fin.	50	1992	4	13⅛	101⅝	Hambros Bank	12.583
D-MARKS							
Nakamichi Corp.§◆	50	1993	5½	2	100	Nikko Secs (D'land)	2.010
Council of Europe (a)◆	150	1995	7	5¾	100¼	BHF-Bank	5.706
Eurofima◆	300	1996	8	6	100½	Deutsche Bank	5.920
Statoil◆	400	1998	10	6⅛	100	Deutsche Bank	6.125
World Bank◆	500	1993	5	5	100½	Deutsche Bank	4.885
Realkredit◆	75	1993	5	5¼	100¼	WestLB	5.192
Japan Finance Corp.◆	100	1995	7	5½	100	Deutsche Bank	5.500
Bayerische Vereinsbank◆	300	1993	5	5	100¼	Bayerische Vereinsbk	4.942
Kymmene Corp.◆	100	1993	5	5⅜	100½	BHF-Bank	5.259
SWISS FRANCS							
Tec Electronics**§◆	80	1993	-	1¼	100	B.della Svizzera It.	1.254
EEC**◆	76	1993	-	4⅛	100⅝	Kredietbank(Suisse)	3.985
Sara Lee Corp.◆	125	1998	-	4¾	101	SBC	4.623
DSM◆	110	1995	-	4⅜	101	Bqe Paribas(Suisse)	4.207
Iberduero**◆	100	1994	-	4⅞	100¼	SBC	4.826
Yuasa Funashoku**§	30	1993	-	(1½)	100	B.della Svizzera It.	*
STERLING							
Sears◆	200	1993	5	10¼	101⅜	CSFB	9.888
BNP◆	75	1993	5	9⅝	101¼	Kleinwort Benson	9.301
British Telecom◆	150	1993	5	9½	101⅜	Warburg Securities	9.145
British Airways◆	100	1998	10	10	100⅞	UBS (Secs)	9.859
DANISH KRONER							
Parbelux Finance◆	300	1993	5	10¼	100	Privatbanken	10.250
Fin. for Danish Ind.◆	300	1992	4	0	68½	Privatbanken	9.920
FINNISH MARKKA							
Nordic Inv. Bank◆	300	1993	5	9½	100	Kansallis-Osake-P.	9.500
GUILDERS							
Rabobank Nederland**◆	150	1993	5	5¾	100½	Rabobank Nederland	5.633
Societe Generale**◆	75	1993	5	6	100¾	Amro Bank	5.823
Akzo◆	200	1995	7	6¼	100	CSFB-Nederland	6.250
PESETAS							
Int. Finance Corp.◆	8.3bn	1993	5	12½	99½	Banco de Vizcaya	12.641
LUXEMBOURG FRANCS							
BBL Int.NV**◆	300	1993	5	7¼	100¼	Credit Europeen	7.189
EIB**◆	300	1991	3	7	100¼	Bqe Paribas (Lux)	6.905
Sofabanque**◆	300	1993	5	7⅜	100	Bqe Paribas (Lux)	7.375
YEN							
EDF◆	30bn	1993	5¼	4⅞	101⅜	Nomura Int.	4.570
Bank of China◆	15bn	1993	5½	5	101⅞	Yamaichi Int.(Eur)	4.601

*Not yet priced. **Private placement. ◆Final terms. ◊With equity warrants. §Convertible. ‡Floating rate note. (a)Issued separately: 1.5m call warrants at DM13.50 each to purchase $100 at 1.5990. 1.5m put warrants at DM12.50 each to sell $100 at 1.6600. (b)Launched on Canadian domestic market. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Fiona Thompson on the changes and prospects at Manganese Bronze

A good first year for the new man

IT WAS a tough act for Jamie Borwick to follow. Dennis Poore was larger than life - racing car driver, engineer, self taught lawyer and accountant, at one time cast as a latterday St George, riding out on a Norton Commando to rescue the British motorcycle industry in distress.

Poore was, by all accounts, a man who liked to run his own show, who did not delegate well. He died a year ago, aged 70, after 21 years at the helm of Manganese Bronze, the company that started off in 1882 making ships propellers out of the metal whose name it bears. The company is now best known for manufacturing the traditional black London taxi.

Jamie Borwick, Poore's son-in-law, succeeded him. He is 32, has been with the company six years following 10 as a builder with McAlpines and, by his own admission, owes his engineering knowledge to Poore's tutelage. But he has naturally been keen to put his own stamp on Manganese Bronze.

And, as first years go, he can be said to have had a pretty good one. He has made crucial management changes, reduced costs, improved both margins and liquidity and, last October, reported £3.43m profits for the year to July 31 1987 - almost half as much again as in 1986 and the first time profits had surpassed the £2.73m recorded in 1978.

Of the company's three divisions – vehicles, foundries and powder metals – it was the first of these that contributed the bulk of the improvement, increasing its profits almost threefold to £1.42m.

Excellent news, especially in the light of the company's recent history. Vehicles, two or four wheeled, have played a pivotal role in the fortunes of Manganese Bronze for over 20 years, and have frequently been the cause of great despair. All companies are mightily affected by their chief executive: Manganese Bronze was intrinsically bound up in Poore's interests and his will.

"Quite simply, he loved motorcycles," says Rocky Stone, who succeeded Poore as chairman and knew him for 40 years.

When Dennis Poore joined the board of Manganese Bronze in 1960 it was still making ships propellers for tankers and ocean liners, and had been manufacturing "Oilite" self-lubricating bearings from metal powders since 1932. The marine business was sold in 1963.

Poore became chairman in November 1965, and, less than a year later, bought Associated Motor Cycles – maker of Norton and Matchless – from the receiver and set up a new company called Norton Villiers.

After a four year investment of at least £3m and an enormous amount of management time, Norton Villiers made a profit and, in 1971/72, contributed 40 per cent of Manganese Bronze's profits. Caught in the slipstream of Easy Rider, North American demand for Norton Commandos far exceeded production.

In the spring of 1973, the Tory government approached Poore and asked him, in effect, to save the British motorcycle industry. Could he do for the heavily loss-making Birmingham Small Arms - manufacturer of the BSA and Triumph high-performance bikes - what he had done for AMC?

Norton Villiers Triumph was born out of the merger of both companies' motorcycle interests in July 1973. The Government put £4.9m into the venture, Manganese Bronze £4.8m.

But when Poore decided to close the Triumph factory at Meriden - then making losses of £3m a year - and move production to the Small Heath BSA factory at Birmingham, he stirred up one of the more emotive industrial disputes of the 1970s.

A sit-in at Meriden continued for 15 months, until the then Labour government set up a state-backed workers' co-operative in March 1975. But by that summer, losses at NVT since the merger totalled £8m and by November Manganese Bronze had written off the whole of its 49.9 per cent holding.

Throughout the motorcycle debacle, Manganese Bronze's other businesses, including the foundries acquired as part of BSA making high quality metal castings, were profitable, allowing the company to show, mostly, respectable figures. But motor industry disputes in the late 1970s badly hit parts of the business and in 1981, the deepening recession pushed the company £639,000 into the red.

Then began the long climb back. Over the next few years the company contracted, but the metal industries in which it was active were contracting at a faster rate.

The CR6 experiment also held back recovery. Work began in 1980 at the company's Carbodies subsidiary on designing a new London taxicab, for introduction in 1984. Influenced by the Year of the Disabled, Manganese Bronze decided to make the new taxi capable of taking wheelchairs.

However, the tooling costs required to make the cab 2 inches higher and 2 inches wider turned out to be horrendous and, after endless problems, in the summer of 1986, the decision was taken to scrap the model. The total cost to Manganese Bronze of the aborted project was well in excess of £5m. Government grants totalled £2.4m.

The company was no doubt influenced in its decision by Metro-Cammell Weymann's announcement that July, that it was going to launch a black taxi to rival Manganese Bronze's traditional FX4 series. The classic black London cab, invented in 1958 and initially made by a number of companies, had, since 1970, been manufactured solely by Carbodies.

Jamie Borwick set the tone for Manganese Bronze's response when he announced his first results as managing director a year ago, saying his company intended to fight Metro-Cammell to retain its dominance in the market. Last September the company launched a revised version - the FX4S - of its standard taxi with a number of modifications aimed specifically at improving the taxi driver's lot, such as a fuse box inside rather than under the bonnet, an electric window on the front passenger side so the driver did not have to always lean over, lights in the corner to see dropped change, cubby-holes and storage areas for the driver's books and papers.

"It is his office," says Borwick. "For too long all effort has been concentrated on the comfort of passengers. The driver was jolly lucky to be inside."

Jamie Borwick with one of the company's taxis.

Borwick was very bullish about the taxi situation when he announced the 1987 results in October, claiming that cabbies preferred steel around them rather than Metrocab's fibreglass body. The present sales figures seem to support his argument: since the launch last year 350 Metrocabs have been sold and delivered and another 250 are on order, according to Metro-Cammell Weymann managing director Peter Steadman, whereas Manganese Bronze has sold and delivered 700 FX4S cabs since last September and has another 1,200 on order.

While again it is vehicles providing the headlines, it is not just that division which has seen change recently. The foundries business this year completes a five-year expansion programme costing £850,000. Specialising in high technology products such as valves for nuclear power stations, stainless steel beer taps and precision components, the division operates an iron foundry in Darlington, a precision castings and a polystyrene incast works in Redditch, and an aluminium foundry and bus door factory in Beverley.

"We have put three new furnaces in at Darlington and are now operating 24 hours a day, which we haven't done for at least 20 years. Production has rocketed," says Borwick. Acquisitions on the foundry side are also being sought.

The powder metals division has a new chief, Mike Williams, who has begun an aggressive policy to boost sales and profits, which have been static for the last few years. The company at the moment has half of the British market for self-lubricating bearings, but very little elsewhere. "We will push on this, especially in Germany," says Borwick.

On the vehicles side, £1m will be spent over the next 18 months on robots and product improvements. Money and time is also being spent to boost taxi sales in the provinces.

Borwick's management style is different too. For example, he holds regular board meetings, which Poore never did.

"Things are different now. Jamie is much more interested in what's going on, travelling around the country. He is always in close touch, but lets the divisional managing directors get on with it," says Stone.

Twelve months on, Manganese Bronze under Jamie Borwick looks like swapping its rollercoaster past for settled progress ahead. This year should point the way.

Douglas looks for healthy increase

WITH PROFITS up 22 per cent at the interim stage, Robert M. Douglas, civil engineer and building contractor, is looking for a healthy improvement over the previous year's £4.46m for the full year.

In the half year to September 30 1987, pre-tax profits rose from a restated £1.79m to £2.18m, on turnover 13 per cent higher at £87.47m. The interim dividend is 1.3p (1.2p) covered more than six times by earnings per share of 8.1p (6.8p).

Tax charge was £1.02m (£778,000) and reflecting a reduction in extraordinary charges - losses on discontinued operations - from £510,000 to £145,000, the attributable surplus more than doubled to £1.08m, against £519,000.

Ariel Inds maintains recovery

Ariel Industries, Leicester-based maker of industrial fasteners and light engineering products, continued the recovery made in the second half last year, with pre-tax profits of £164,100 for the six months ended September 30 1987. Last time there were losses of £34,700.

Turnover moved ahead from £4.66m to £5.36m.

After tax of £57,500 (nil) earnings per share amounted to 1.78p (losses 0.58p).

James Ferguson interim profit

On turnover greatly increased by acquisitions from £799,000 to £9.6m, James Ferguson Holdings made an interim pre-tax profit of £187,000, compared with a loss last time of £551,000.

After a tax credit for this financial services group of £886,000 (£22,000 debit), earnings per 10p share for the six months to end-September 1987 came out at 0.27p (1.72p losses).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition.

Helical Bar Preference (Section:Property).

URS International (Industrials).

Vaasa S.A. (Mines-Finance).

Norcros £4.5m acquisition

BY ANDREW HILL

Norcros Group, the building supplies, print and packaging company, has bought Taylor Joberns, a West Midlands heating and plumbing merchant, for £4.45m in cash and shares.

In 1985 Norcros acquired UBM Building Supplies and Cadel, a specialist supplier of plumbing and heating materials, when it bought the UBM Group.

Norcros anticipates that the purchase of Taylor Joberns will provide an important Midlands distribution centre for Cadel in Smethwick and a basis for the establishment of new satellite branches in the region.

By the year-end in March, Norcros hopes to have increased the number of outlets for UBM to 128 against 106 at the beginning of the financial year. The company's aim is 180 new or refurbished outlets by 1991.

Norcros is also increasing the size of the selling area in each new branch.

Taylor Joberns recorded pre-tax profits in the year to July 1987 of £540,000 before exceptional items and directors' remuneration of £241,000.

In the year to March, Norcros showed profits up nearly 18 per cent to £53.2m before tax.

Lonrho returns fire in Fraser battle of words

BY CLAY HARRIS

Lonrho returned fire in the latest battle of words with House of Fraser, hitting back at comments the retailer made on Thursday about its 1986-87 results.

Noting that Fraser's holding company never published annual accounts, Lonrho said: "It should be noted that the interests of House of Fraser in 280,000 Lonrho shares were frozen by the High Court, pursuant to Section 216 of the Companies Act, for failure to declare the true ownership of the shares and for lying in court."

Fraser had pointed out that Lonrho's earnings per share were lower than in 1976 and had promised the "closest scrutiny" of Lonrho's 1986-87 report and accounts, the previous version of which turned into a verbal and legal battleground between the two long-time antagonists.

Kenyon expands further

Kenyon Securities, a funeral director quoted on the USM, is to purchase Browns of Belfast, funeral director and removal company, for £2.74m in cash and shares.

Earlier this month Kenyon announced the proposed acquisition of Dottridge Brothers, Hertfordshire-based funeral director, for £11.5m in shares.

Consideration for Browns will be met by £792,000 cash and the issue of 716,333 shares, of which 683,000 will be the subject of a vendor placing. Included is about £110,000 for the purchase of a freehold property.

Paris-based undertaker Pompes Funebres Generales holds 10 per cent of Kenyon's shares. The placing arrangements for the deal announced on Friday and the proposed acquisition of Dottridge could increase this to about 29.2 per cent.

The acquisition of Browns and Dottridge, as well as four other small undertaking businesses since the March year-end, increases the number of branches owned by Kenyon to 105, against 40 at the year-end. The annual number of funerals Kenyon can now conduct has increased by 55 per cent to approximately 20,000.

Kenyon intends to pursue this policy of acquisition - the only way for the funeral business to grow when the death rate is static - but unlike its larger rival, Hodgson Holdings, there are no plans to impose a corporate image on subsidiaries.

"I think each one of our sections had its own image and in fact every little premise has its own image," said Mr Michael Kenyon, chairman.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Barclays	Feb 24	Final 11.5	Lex Service	Mar 5	Final 6.6
Commercial Union	Mar 4	Final 7.8	Lloyds Bank	Feb 26	Final 11.75
Cons Gold	Mar 4	Interim 8.5	Midland Bank	Mar 1	Final 13.5
Dalgety	Feb 15	Interim 6.0	NatWest	Feb 23	Final 13.5
Fisons	Mar 4	Final 3.4111	Reuters	Feb 11	Final 3.75
Gen Accident	Mar 4	Final 18.0	Royal Ins	Feb 26	Final 20.5
Gold Fields	Feb 9	Interim 60c	STC	Mar 3	Final 3.0
Hillsdown	Feb 25	Final 2.75	Shell Trans	Mar 3	Final 23.5
ICI	Feb 26	Final 22.0	TI	Mar 4	Final 15.0
Jaguar	Mar 5	Final 6.2	Unilever	Mar 3	Final 38.17
			Vickers	Feb 22	Final 9.0

Shield shows strong growth with 73% rise

STRONG GROWTH continued at the Shield Group, North London property developer, which reported a 73 per cent increase in pre-tax profits from £475,000 to £821,000 for the six months to September 30 1987. The result was achieved on turnover more than doubled at £7.29m (£3.52m).

Tax came out at £287,000 (£166,000), but overheads rose sharply from £337,000 last time to £1.37m. Earnings per 5p share went up to 5.66p (4.02p). An unchanged interim of 1p was declared

The directors said that Shield holds approximately £5.5m in cash. The group is also seeking shareholders' approval for the repurchase of its own shares.

Shield has acquired, through joint ventures with The National Insurance & Guarantee Corporation and Close Brothers, sites in North London and Hertfordshire worth more than £11m.

However, it feels that in order to even out the irregular flow of profits created by its style of business, it should enter into a longer-term strategy to realise profits on its sites by shifting its emphasis to a more extensive building programme.

Wholesale Fittings 13% ahead

Wholesale Fittings, Essex-based wholesale electrical distributor, continued to show growth, reporting a 13 per cent rise in pre-tax profits from £2.52m to £2.86m for the half-year to October 23 1987. Turnover increased 14 per cent from £21.47m to £24.39m.

Earnings per share increased to 13.3p (11.7p) and the interim dividend is set at 2.69p (2.24p).

The directors said the company was maintaining its competitive position and margins, and prospects for growth and expansion were encouraging.

Cowan de Groot halved as dealing losses hit

ALTHOUGH turnover rose from £21.26m to £22.53m, pre-tax profit at Cowan de Groot, importer and maker of toys and electrical wholesaler, fell by 50 per cent to £440,000 in the half year ended October 31 1987 against a previous £875,000.

This time included losses of £339,000 on its dealings in listed investments. The new board has ended these dealing activities.

The interim dividend is cut to 0.75p (1.25p). Earnings per 10p share worked through lower at 1p (2.9p). Profits after tax and extraordinary items fell to £305,000 (£530,000).

Cowan was being restructured and revitalised, the directors said, which would generate increased profitability from its existing operations in the next financial year.

The operating companies were being restructured into two divisions: the wholesale division which would include all the group's import and wholesale trading companies, and the training division, which would include the education and training companies. Expansion of the company in existing and complementary sectors was envisaged.

	1987 £'000	1986 (restated) £'000	Year to 31 Mar 87 £'000
Turnover	87,468	77,746	143,326
Profit on ordinary activities before taxation	2,175	1,788	4,459
Taxation	1,017	778	2,057
Profit attributable to members	1,080	519	1,048
Earnings per share	8.1p	6.8p	16.3p
Dividends per share	1.3p	1.2p	3.0p

FINANCIAL TIMES STOCK INDICES

	Jan. 29	Jan. 28	Jan. 27	Jan. 26	Jan. 25	Jan. 22	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.72	89.72	89.21	88.94	89.39	88.69	93.32	83.73	127.4	49.18
Fixed Interest	95.36	95.38	95.21	95.27	95.46	94.70	99.12	90.23	105.4	50.53
Ordinary	1435.7	1430.0	1415.6	1418.0	1414.0	1421.0	1926.2	1232.0	1926.2	49.4
Gold Mines	261.5	267.0	268.2	265.7	279.1	279.9	497.5	261.6	734.7	43.5
FT-Act All Share	915.84	911.70	902.73	904.39	901.57	905.54	1238.51	784.81	1238.57	61.92
FT-SE 100	1790.8	1783.9	1765.2	1767.3	1762.2	1770.9	2443.4	1565.2	2443.4	986.9

THE ISSUE of union recognition was, in Nissan's early days, always at the forefront of media questioning. So it was with Nissan management.

Indeed, with any inward investor, a comprehensive review of labour relations in the various potential locations forms a significant part of the investment decision-making process. And, inevitably, the issue of whether or not to opt for trade union recognition comes to the fore.

A number of factors weigh in favour of trade union recognition. All employees have the legal right to belong or not to belong to a trade union and, whatever views an employer may have, there is *nothing he can legally do to* prevent employees joining a union (as opposed to recognising the union which is a different issue).

Both Continental Can in north Wales and Nissan in the north-east were establishing themselves in areas with strong traditional links with the trade union and Labour movement. Many of the people recruited would be trade union members who would bring their membership with them even if their unions were not recognised.

In particular, craftsmen are loath to give up their membership, for while until very recently the days of many of the financial benefits have gone, the craft card remains to many a symbol of pride and achievement.

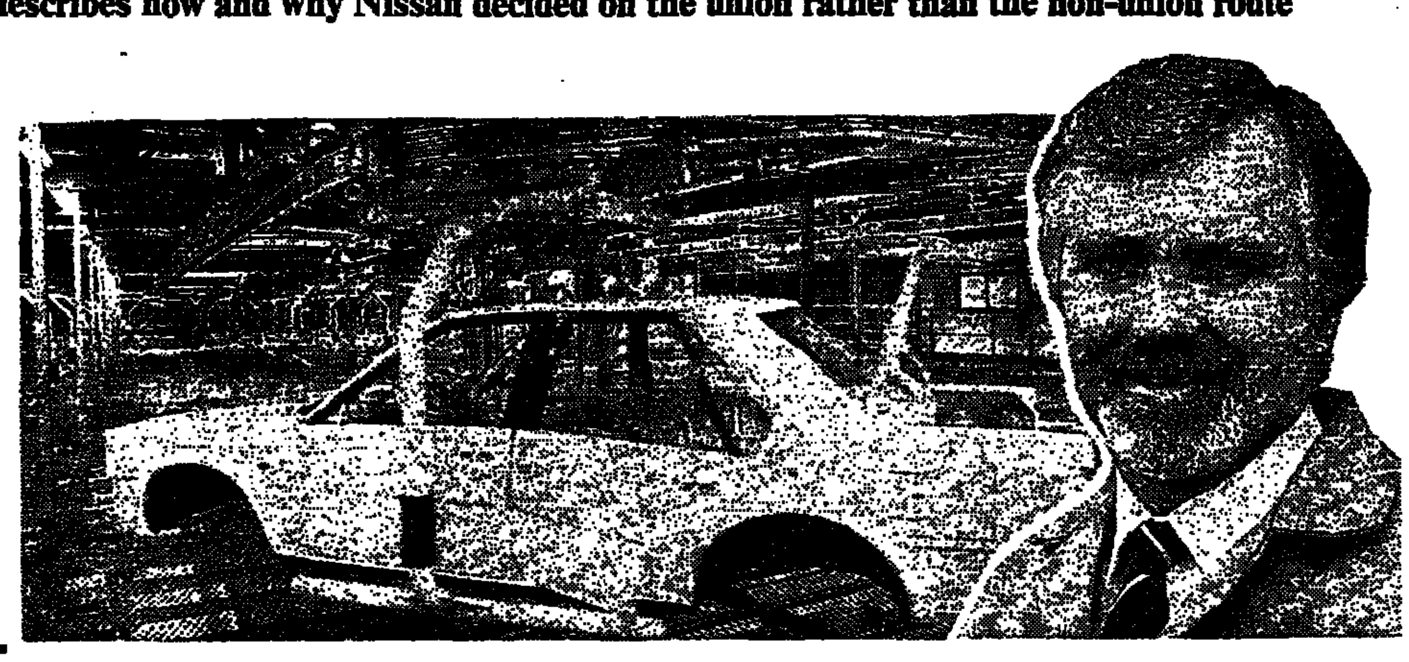
It was also important that trade union officials had been involved in discussions with the companies prior to the final decisions being made. Indeed, the Northern Region TUC had taken the policy decision that were Nissan to select the north-east and determine that it wanted a single union deal, then the unions not recognised would respect that decision.

This, combined with the many statements welcoming the companies, would have meant that a non-union decision would have been a very real slap in the face and, almost certainly, would have been interpreted by the unions as a declaration of war.

Thus, both Continental and Nissan, by going down this route, would have been faced with a situation where, in strong union areas, union members would be recruited who very soon would have registered claims for union recognition – and would be denied such recognition. There was every chance of the cases becoming causes célèbres and at the time Continental could have been

In 1985, Nissan, the Japanese car manufacturer, reached a single-union recognition and operating deal for its Washington, Tyne and Wear, factory, which was hailed as *revolutionary* for the British motor industry. Peter Wickens, personnel director at Nissan and previously at Continental Can in north Wales, negotiated the agreement for the company. Here, in the first of two extracts from his new book, The Road to Nissan, he describes how and why Nissan decided on the union rather than the non-union route

Why Nissan believed unity lay in a single union deal



taken down the ACAS route with a compulsory ballot and probably a final decision in favour of recognition.

In the case of Nissan, with the Conservative government's legislative changes, that possibility was not open to the trade unions but the company was very much more in the public eye and there is no doubt that it would have been regarded as a target by the whole trade union movement.

While, under the new legislation, a defence through the courts was possible, it was never a real alternative to enter a route which would lead to a long period of acrimony and pressure from all manner of sources.

And this, at the critical start-up period, would detract from the essential task of building high quality motor cars *with the development of* innovative and constructive relationships.

As important as this, however, was where we would end up. In both companies we wished to develop, in addition to harmonious relations, flexibility and common terms and conditions of employment. All of this pointed to one trade union. The view in both Continental and Nissan was that if we sought to be non-union we could end up in a multi-union situation.

Recognition claims would come from a variety of trade unions – skilled and unskilled, engineering, supervisory and administrative. There *would then have rapidly* developed a situation which would be difficult to control.

Therefore on a rational basis both Continental and Nissan made the decision to recognise trade unionism. But in both cases there were many who simply felt it was the right thing to do – that people have the right to join a union, that the company should recognise the union and people should join the union which represents them. The issue of principle is simple.

Single status and flexibility

The next decision was one union or multi-union. Much of the thinking on this developed through the union/non-union analysis. We were *aiming for unity of purpose; for* single status and for complete flexibility.

Different unions have different interests and while they might indicate that they are prepared to sit down together, there are enough examples in virtually every manufacturing company in the UK to make it absolutely certain that such unity would have but a short life.

Sooner or later something would happen and one group would claim that its differential had been eroded or that the less skilled had trespassed too far on the more skilled person's work, or vice versa, and the unity which in princi*ple was great, in practice* would dissolve in mutual recriminations.

We also realised that if we recognised two unions the logical base for single unionism would be eroded. If we accepted that there could be one union for the skilled and one union for the semi-skilled why could there not be another for the clerks, another for the supervisors and another for the engineers?

Again this would mitigate against what we were trying to achieve and while not an immediate disaster would at some time in the future result in a tendency at best to pull apart and at worst to break the unity that was our target.

The actual process of selecting a trade union (and the use of that phrase "selecting a trade union" is anathema to *many in the union movement*, being disparagingly described by some as "a beauty contest") was virtually identical in both Continental and Nissan.

In Continental the starting-off point was some very early advice "Talk to every union that could conceivably have an interest in representing your employees and then make a decision as to which union best fits Continental - those not selected will respect that decision."

In the industrial areas of both south and north Wales a number of companies had developed single union agreements by going down this *route and provided the non-*selected unions were satisfied that they had been given a fair opportunity of laying claim to negotiating rights then, while they might not like the company's decision, they would accept it.

Again, it was emphasised to us that it would be the company's decision. This also met with some initial incredulity. However, accepting that the advice was based on experience which had proved in the past to be successful, Continental wisely decided to accept it and also to conduct such discussions under the auspices of the Welsh TUC.

A decision on which union is not made solely on the attitude of the officials to the draft agreement. Before arriving at the meetings both trade unions and management are sensible if they do their home*work*.

However good the objective evidence may be on paper, if the assessment does not "feel" right, the decision may go another way. Particularly in matters relating to industrial relations so much depends on the "gut feel" of the negotiators which, while it may not be possible to express it in words, so often is the reason for decisions being made.

Most of the factors taken into account in making the union decisions were common to both Continental and Nissan. The national politics of the Union is a factor - is it on the left, right or centre? There is no doubt that at the *time of both the Continental* and Nissan decisions the TGWU was regarded as the most left wing of the main contenders.

Under the leadership of Moss Evans and his policy of passing authority to the branches (and hence to the activists) the union had moved to the left.

The AEU and GMB are both regarded as right-inclined trade unions, but in no case did the national politics of the trade unions seriously enter into the decision-making process. Much more important when looking at the political spectrum is the attitude of the regions in which the company will be operating.

None of the main unions either in north Wales or the north-east could be described as being on the far left of union politics. The experience *of the last few years, particu*larly in the development areas where the traditional industries have run down to a point of almost non-existence, has resulted in the development of an attitude among trade union officials that they must do everything possible to assist in attracting industry and commerce to their regions.

In both Continental and Nissan a comprehensive study was undertaken of industrial relations practices in the areas in which the companies were to start their operations.

From this process it emerged in north Wales that the TGWU was the front runner for, surprisingly, it came out that the TGWU in the area had, through its regional secretary, Jim Morris, led the way in developing single union agreements with a number of organisations and that all sections of the manual workforce were prepared to join the TGWU.

Gradually, then, during the investigation process the company concluded that the best decision was to recognise the TGWU as being the union to have sole bargaining rights on behalf of Continental employees. The aspect of people being willing to join the selected union was very important.

What Continental did not want was a situation in which it recognised the TGWU but significant proportions of its staff refused to join. At the time it was felt that while this might be the case in other *parts of the country it was* not so in north Wales - and this view proved to be correct.

The situation in Nissan was complicated by the media interest in the union question and the fact that there were three strong front runners in the north-east.

The largest union in the north-east is the GMB whose regional secretary Tom Burlison is also chairman of the Northern TUC. As expected, the GMB is particularly strong in the public services and shipyards and has some single union or sole bargaining rights deals with north-eastern companies.

The TGWU is strong in transport and the docks and is represented in almost all companies in the area. Again, the TGWU has a number of single union deals in the north-east.

The AEU also has single union deals with a number of companies and is strong in the engineering sector and shipbuilding, and represents most mechanical craftsmen in virtually all companies. This, Nissan found, was a very significant point and one in which the north-east could be said to differ from north Wales.

In those companies where the TGWU or GMB had sole bargaining rights the craftsmen have generally remained as members of the AEU. In those companies where the AEU has sole bargaining rights the general workers have been prepared to join that union, not insisting on retaining the general workers' union membership.

Thus Nissan had in the north-east a situation which Continental expected in north Wales but did not find: that the craftsmen were less prepared to join a union they perceived to be "general" than the general workers were to join a union which they perceived to be "skilled".

"Perceived to be" are the operative words for the strict divisions between skilled and general unions no longer exist – both are able to and do recruit almost anybody who is prepared to join.

In the end, however, the Nissan decision to recognise the AEU came not from any assessment of the political tendencies of the unions, the numerical strength in the region or who would give us the best deal but from our judgment as to which union our employees were most likely to join.

We believed that with a single union more of our employees across the spectrum of occupations would join the AEU than the TGWU or GMB.

A number of commentators have suggested other motives, laying particular emphasis on the supposed national moderation of the AEU as opposed to the TGWU.

But all such tendencies are transitory and to base a decision on such a factor would have led us down the wrong path. There simply was no ulterior motive in the Nissan decision.

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LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§71½	F.P.	-	73	71	Assoc. Heartpine 5p	71	-1	N2.5	-	4.8	-
§72	F.P.	-	78	70	Atlantic Securities 5p	78		-	-	-	-
330	120	-	92	70½	British Petroleum	78½	-½	N12.5	1.5	5.9	14.4
§120	F.P.	-	145	131	‡Carron Phoenix 10p	143	-2	R3.5	2.7	3.4	14.9
-	F.P.	-	4½	2	EFM Dragon Tst. Wrnts.	4		-	-	-	-
†	F.P.	-	268	231	English & Caledonian Inv.	231		-	-	-	-
†	F.P	-	125	67	Hard Rock A (R-Vtg) 2p	75	+2	L2.53	3.3	2.8	13.6
§100	F.P.	-	113	100	‡Hatfield Estates 10p	112		R1.5	10.2	1.8	7.3
85	F.P.	15/1	100	93	Intl. Colour	98		L1.0	7.4	1.4	13.2
†	F.P.	-	41	37	‡Kunick 10p	37	-½	1.0	2.4	3.7	14.7
†	F.P.	-	38	27	*Norton Group 5p	30	+2	-	-	-	-
§18	F.P.	23/12	26	19	‡Pathfinders Grp. 5p	25		b0.29	3.9	1.6	21.8
§114	F.P.	-	121	115	‡Sykes-Pickavant 10p	118	-1	R5.25	2.0	6.2	11.1
§130	F.P.	-	136	131	TGI Group 1p	131		R4.75	3.0	5.0	9.3
§165	F.P.	-	227	200	*Takare £1	220		b2.0	8.1	0.6	22.6
§70	F.P.	-	73	59	‡Trevian Hldgs. 10p	62	-1	R2.0	4.6	4.4	6.7
††	F.P.	-	23	18	Verson Intl. 10p	21	-1	b0.35	2.7	2.2	18.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
-	-	-	110	90½	Ansbacher(H.)9pc.Cnv.Sub.Ln.1998	107½	
-	F.P.	-	132p	123p	Blue Circle 7¾pc Cnv.Com.Red.Pref.	130p	+2
§91.54	£50	11/2	50¾	48¼	Brit.&Comm.10¼pc.Un.Ln.2012	50¼	-¼
100	F.P.	-	111p	106p	Citygrove 7¾pc. Cum.Cnv.Red.Prf.£1	111p	+3
♦	F.P.	-	130p	113p	Granada 7.5p Cnv.Prf.	130p	+1
100p	Nil	-	11pm	10pm	Grt. Prtlnd. Est. 9½pc.Cv.Uns.Ln 2020	11pm	
100	F.P.-		114	108	Morgan Crucible 7.5pc Net.Cv.Cm.Rd.Pf.	114	+3
-	F.P.	-	100¾	99½	N'wide Anglia 9¼pc 28.11.88	99¾	
-	F.P.	-	100⅛	99½	Do. 9¾pc 28.12.88	100⅛	
-	F.P.	-	100¼	100	Do. 9⅞pc 23.1.89	100¼	
155p	Nil	-	22pm	6pm	‡Sharpe & Law 8½pc.Cnv.Rd.Pf 10p	6pm	-2
100p	F.P.	-	115p	100p	‡Wiltshire Fixed Rate Cnv.Com.Red.Prf.	115p	+2

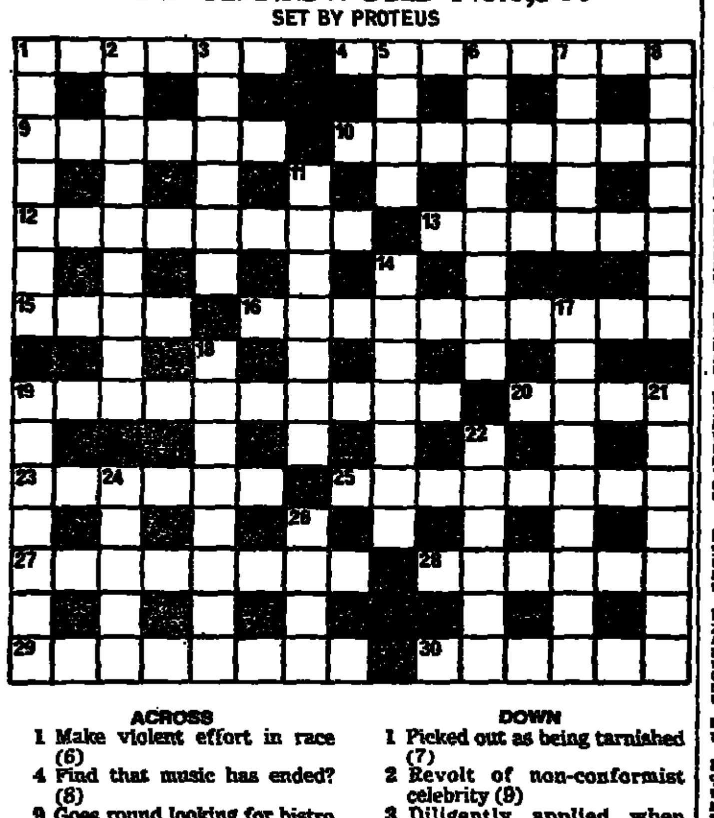
RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
15	Nil	-	8½pm	6½pm	Verson Intl. 10p	6½pm	-½

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a rights. † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. ○ Including warrants entitlement. * Third Market.

FT CROSSWORD No.6,544

SET BY PROTEUS



ACROSS

1 Make violent effort in race (6)
4 Find that music has ended? (8)
9 Goes round looking for bistro abroad (6)
10 Tiny amount of water artist has to drip on perhaps (8)
12 Gifted journalist after the money (8)
13 Overthrow of French exploit (6)
15 Boy holding one back in Irish assembly (4)
16 Drew attention to and gave advice about Queen and Tory leader (10)
19 To do with business in German capital (10)
20 Just fine (4)
23 Outcome of lofted drive (6)
25 Poor soldier's turn to get order out (8)
27 Former vicar in religious surroundings (8)
28 Adder-season (6)
29 Wire allowed to come back over border (8)
30 It looks as if he did wrong to go back (6)

DOWN

1 Picked out as being tarnished (7)
2 Revolt of non-conformist celebrity (9)
3 Diligently applied when under canvas? (6)
5 Scot holding right to foreign land (4)
6 Strives to cheat at trials (8)
7 Limit of slope (5)
8 Supposed to be set in grass (7)
11 Town study (7)
14 Flag for Quaker worker (7)
17 Affirms fellow to be one skilled in government (9)
18 Having a rest from sitting again (8)
19 What head girl eats? (7)
21 Sharp answers concerning legal wrongs (7)
22 Extremely small note (6)
24 Intermediate class of frail boat (5)
26 Large cat turning up with mother (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 13.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	368.8	388.3	—	—
Eb'r Ph. Eq.	334.1	354.5	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	161.9	170.4	+1.8	—
International Acc.	122.3	128.7	+0.6	—
Property Acc.	122.9	129.3	—	—
Fixed Interest Acc.	152.2	160.2	+0.7	—
Money Acc.	135.7	142.8	+0.2	—
Bldg. Soc. Link Acc.	132.7	139.6	+0.1	—
Special Mngd. Acc.	143.2	150.7	+1.1	—
Phoenix/Framlington				
Intl. Growth Acc.	81.1	85.3	+0.2	—
Amer. & Gen. Acc.	74.2	78.1	-0.2	—
Capital Tst. Acc.	171.9	180.9	+0.4	—
Japan & Gen Acc.	171.0	180.0	+1.8	—
American Turn. Acc.	74.2	78.1	-0.1	—
Recovery Tst. Acc.	159.3	167.6	-0.5	—
Special Mngd Acc.	136.0	143.1	+0.5	—
Phoenix/GT				
International Acc.	119.2	125.4	—	—
US & General Acc.	87.2	91.7	+0.2	—
Amer Spec Sits Acc.	59.7	62.8	+0.4	—
Japan & General Acc.	163.5	172.1	+1.8	—
Far East & Gen. Acc.	133.5	140.5	+0.7	—
UK Capital Acc.	168.6	177.4	+1.8	—
European Acc.	127.1	133.7	-1.5	—
Special Mngd. Acc.	121.2	127.5	+0.5	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	265.1	279.1	—	—
Max Pens Inc & Cap Fd	339.7	357.6	—	—
Money Fund	111.0	116.9	—	—
Pens. Mngd Fd (Init)	83.7	88.2	—	—
Pens Mngd Fd (Acc)	93.6	98.6	—	—
Pens FT30 Fd (Init)	124.9	131.6	—	—
Pens FT30 Fd (Acc)	141.8	149.3	—	—
Pens O'seas MgFd(Init)	52.8	55.6	—	—
Pens O'seas MgFd(Acc)	59.1	62.3	—	—
Pens Fxd Int Fd (Init)	106.8	112.5	—	—
Pens Fxd Int Fd (Acc)	119.4	125.7	—	—
Pens Deposit Fd (Init)	100.7	106.0	—	—
Pens Deposit Fd (Acc)	112.5	118.5	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 [illegible]
Prufund

Managed Jan 27	193.3	203.6	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-43[illegible]

Managed Fd.	428.0	450.6	+3.3
Equity Fd.	875.4	921.5	+8.5
Intnl. Fd.	293.5	309.0	+2.6
Fixed Int. Fd.	361.1	380.2	+1.0
Prop. Fd.	302.7	318.7	—
Cash Fd.	233.1	245.4	—
Pacific Basin Fd.	161.5	170.1	—
North American Fd.	116.6	122.8	+1.9
European Fd.	126.1	132.8	-0.8
Holborn Balanced Gwth Fd	—	—	—
Holborn Strategic Gwth Fd	—	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-43[illegible]

Managed	450.4	474.2	—
Equity	650.9	685.2	+8.3
Global Equity	184.2	193.9	—
Fixed Interest	368.8	388.3	+1.1
Property	302.1	318.0	+0.1
Cash	137.3	144.6	—
Index Linked Gilt	158.4	166.8	+0.2
Guaranteed	8.95	9.25	—
International Money	188.3	198.3	+0.5
North American Fd	51.8	54.6	—
Japanese Fund	113.6	119.6	—
European Fund	68.7	72.4	—
Special Situations Fd	93.1	98.1	—
Communications Fund	75.2	79.2	—
Smaller Cos. Fund	95.8	100.9	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-40[illegible]

Discretny Jan 27	£119.82	123.34	+0.76
Equity Fund Jan 27	£129.49	131.41	+0.87
Intntl Fund Jan 27	£19.58	20.20	+0.05
Intl Bond Fd Jan 27	£10.45	10.59	+0.09

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
10Nov 10May	Exch 10¼pc '88	100[illegible]	5.10	10.45	8.69
14Dec 14Jne	Treas 9¾pc Cv '88	100[illegible]	9.11	9.72	8.72
1Jan 1Jul	Transport 3pc '78–88	98[illegible]	25.11	3.04	6.56
25 Apr 25 Oct	Treas. 9½pc '88	100[illegible]	18.9	9.47	8.97
22 Aug 22 Feb	Treas 11½pc 1989	102[illegible]xd	18.1	11.22	8.93
18 Oct 18 Apr	Treas 9½pc Cnv 1989	100[illegible]	11.9	9.45	8.99
15Nov 15May	Treas 3pc 1989	95[illegible]	9.10	3.13	6.50
14Dec 14Jun	Treas 10½pc 1989	101[illegible]	9.11	10.32	9.08
1Feb 1Aug	Exch.10pc 1989	101[illegible]xd	29.12	9.88	9.12
29 Mar 29 Sep	Exch 11pc 1989	102[illegible]	24.8	10.71	9.16
15 Apr 15 Oct	Treas 5pc 1986–89	95[illegible]	8.9	5.22	7.60
15 May 15 Nov	Exch 10½pcCv '89	102[illegible]	9.10	9.91	8.12
15 Jul 15 Jan	Treas 13pc 1990‡‡	107[illegible]	9.12	12.17	9.09
12 Aug 12 Feb	Exch 11pc 1990‡‡	105[illegible]xd	6.1	10.45	9.16
22 Sep 22 Mar	Exch. 12½pc 1990	106[illegible]	17.8	11.76	9.20
8 Nov 8 May	Treas. 3pc 1990	91[illegible]	2.10	3.27	6.94
15 Dec 15 Jun	Treas 8¼pc 1987–90‡‡	98[illegible]	9.11	8.32	8.62
16July 16Jan	Treas. 8pc Cv 1990	100[illegible]	–		
25 Apr 25 Oct	Treas. 10pcCv 1990	102[illegible]	18.9	9.81	9.17
22 May 22 Nov	Exch 2½pc 1990	89[illegible]	16.10	2.80	6.76
10 July 10 Jan	Treas 11¾pc 1991	106[illegible]	4.12	11.03	9.14
5Oct 5Apr	Funding 5¾pc '87–91‡‡	93[illegible]	1.9	6.17	8.20
13 Nov 13 May	Treas. 3pc 1991	88[illegible]	7.10	3.39	7.01
12Jan 12July	Treas 10pc Cv '91 ‡‡	103[illegible]	7.12	9.64	8.72
25Apr 25Oct	Exch. 11pc 1991	105⅞	18.9	10.40	9.12
10Jun 10Dec	Treas. 8pc 1991	96[illegible]	3.11	8.27	9.01
22Jly 22Jan	Treas 12¾pc 1992‡‡	111[illegible]	19.1	11.40	9.13
21Aug 21Feb	Treas 10pc 1992	103xd	15.1	9.72	9.12
13Oct 13Apr	Treas. 8pc 1992 ‡‡	96[illegible]	11.6	8.30	9.05
7 Nov 7 May	Treas 10½pc Cv 1992‡‡	104[illegible]	1.9	10.03	9.14
11Dec 11Jun	Treas. 3pc 1992	84[illegible]	4.11	3.54	7.14
25 Feb 25 Aug	Exch. 12¼pc '92	111¼xd	19.1	11.01	9.19
22Mar 22Sep	Exch 13½pc 1992	115[illegible]	17.8	11.66	9.23
	Five to Fifteen Years				
15Oct 15Apr	Treas 10pc 1993‡‡	103[illegible]	8.9	9.69	9.19
14Jan 14Jul	Treas 12½pc 1993‡‡	113[illegible]	8.12	11.00	9.26
15Mar 15Sep	Funding 6pc 1993‡‡	90[illegible]	10.8	6.60	8.03
23May 23Nov	Treas 13¾pc 1993‡‡	119[illegible]	19.10	11.52	9.33
1 Sept 1 Mar	Treas 14½pc 1994‡‡	123[illegible]	25.1	11.71	9.29
27Oct 27Apr	Exch 13½pc 1994	118[illegible]	27.10	11.36	9.42
9Dec 9Jun	Treas. 10pc Ln. 1994‡‡	103[illegible]	2.11	9.66	9.24
22Feb 22Aug	Exch. 12½pc 1994	114[illegible]xd	18.1	10.89	9.43
17May 17Nov	Treas 9pc 1994‡‡	99[illegible]	12.10	9.06	9.12
25Jul 25Jan	Treas 12pc 1995	112[illegible]	21.12	10.64	9.45
1Nov 1May	Exch 3pc Gas 90–95	82[illegible]	25.9	3.65	6.07
21Jan 21Jul	Exch. 10¼pc 1995	104[illegible]	15.12	9.80	9.37
15May 15Nov	Treas 12¾pc 1995‡‡	117[illegible]	9.10	10.82	9.45
22Jly 22Jan	Treas. 14pc '96	123[illegible]	15.12	11.29	9.60
15Sep 15Mar	Treas 9pc 1992–96‡‡	99	10.8	9.09	9.17
3Nov 3May	Treas 15¼pc 1996‡‡	131½	28.9	11.58	9.60

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Yield
1Apr 1Oct	Greek 7pc Ass.	45	2.11	3.50	[7.42
1Feb 1Aug	Do. 6pc 28 Stb. Ass.	45	3.8	3	[6.57
1Apr 1Oct	Do 4pc Mixed Ass.	45	1.10	2	[4.44
1May 1Nov	Hung. '24 Ass.	72	5'86	2.75	[3.47
31May 30Nov	Hydro Quebec 15pc 2011	135[illegible]	29.10	15.00	10.75
31Jan 31Jly	Iceland 14½pc Ln 2016	124[illegible]	9.7	14.50	11.52
1Mar 1Sept	Ireland 9¾pc '92–96	97[illegible]	10.8	9.75	9.98

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Fb My Ag Nv	Abbott Laboratories‡.	26[illegible]	12.1	$1.00	–	2.1

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS – Contd

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly Oct	Rep NY Corpn $5	23⅝	10.12	$1.20	–	2.8
Mr Je Se De	Rockwell Intl. $1	18	9.11	66c	–	3.6
Oc Ja Ap Jly	Sara Lee $1(1/3)	23⅛xd	12.1	$1.00	–	2.6
Mr Je Se De	Seal (G. F.) $1	10⅛	12.1	20c	–	1.2
Fb My Ag No	Southwestern Bell $1	21½	7.7	$2.32	–	5.9
–	Staley Continental	12	–	80c	–	3.7
Mr Je Se De	Sun Co. Inc. $1	29⅝	5.11	$3.00	–	5.5
Ma Je Se De	TRW Inc. $0.625	27⅛	11.8	$1.60	–	3.2
Mr Je Sp De	Tenneco $5	22⅞xd	11.8	$3.04	–	7.4
June Dec	Do. 10pcLn.Stk. 91–5	155	13.12	10%	–	14.7
Mr Je Se De	Texaco $6.25	20¾	31.7	$3.00	–	7.9
Mr Je Se De	Time Inc. $1	47¼	22.8	$1.00	–	1.2
Ja Ap Jn Oc	Transamerica $1	18⅛	29.12	$1.84	–	5.6
Fe My Au No	Transworld Corp $5	832p	11.11	20c	–	1.3
Mr Je Se De	TRINOVA Corp.	16½	9.11	56c	–	1.9
Mr Je Se De	USX $1	17⅛	30.10	$1.20	–	3.8
Mr Je Sp Dc	Utd. Technologies	21⅝	19.5	$1.40	–	3.6
Fb My Ag No	US West	30⅝	13.4	$3.28	–	5.9
Ap Jly Oc Jan	Waste Management $1	20	15.12	36c	–	1.0
–	Whirlpool $1.0	14¾	–	–	–	–
Mr Je Se De	Woolworth $3½	22¾	19.11	$1.32	–	3.2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES – Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
–	Lynx Tech. 5p	60	–	b–	–	–	6.9
–	M.L. Laboratories 1p	121	–	–	–	–	–
–	Medirace 10p	94	–	–	–	–	–
–	♦Ovoca Gold IR 2p	46	–	–	–	–	–
–	Propeller 1p	38	–	W–	–	–	11.9
–	Publishing Hldgs. 5p	20xr	–	–	–	–	12.0
–	Seacon Hldgs.	76	–	–	–	–	11.6
–	Staks Hldgs. 5p	22	–	–	–	–	56.3
–	Swanyard Studios 1p	3¼	–	–	–	–	18.5
June Dec	Theme Holdings	53	27.4	1.0	1.9	2.6	28.4
–	Tomorrows Leisure 20p	31	–	–	–	–	72.4
–	UPL Group 10p	138	–	L2.41	2.8	2.5	19.5
Jan July	Unit Group	140	9.11	R4.6	2.5	4.5	(10.0)
–	Video Tape Recording 5p	85	–	L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. *Estimated price/earnings ratios and covers* are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t *Indicated dividend: cover relates to previous dividend, P/E ratio based* on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield *after pending scrip and/or rights issue*. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T *Figures assumed. W Pro forma figures. Z Dividend total to date.*
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	
Craig & Rose £1	638	
Finlay Pkg. 5p	78	
Holt (Jos) 25p	£11½	
IoM Stm. £1	250	

IRISH

Fund 11¾% 1988	£100⅛	
Nat. 9¾% 84/89	£100½	
Fin. 13% 97/02	£114⅛	
Arnotts	320	+10
CPI Hldgs.	75	–5
Carroll Inds.	145	
Hall (R. & H.)	105	
Heiton Hldgs.	45	
Irish Ropes	128	
Unidare	300	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen.	30
Lex Service	35
Lloyds Bank	28
Lucas Inds.	62
Marks & Spencer	20
Midland Bk.	35
Morgan Grenfell	35
NEI	20
Nat West Bk.	60
P & O Dfd.	52
Plessey	16
Polly Peck	32
Racal Elect.	22
RHM	35
Rank Org Ord.	60
Reed Intnl.	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

APPOINTMENTS

Ferranti forms new company

FERRANTI INTERNATIONAL will shortly be forming a guided weapons company, to operate primarily in the field of conventional, non-strategic defence equipment on a world-wide turnkey basis. To be known as Ferranti International Dynamics, it will be headed by **Mr Ian Ball**.

*

Mr Ian Bramley has become managing director of AICORP. He was managing director of Software International, which has been acquired by Aicorp Inc.

*

ST MODWEN PROPERTIES has appointed **Mr Paul Doona** as its financial director. He was group financial controller with Clarke Securities.

*

Mr R.B. Vaughan has become a director of the AUSTALIA AND NEW ZEALAND BANKING GROUP. He is chairman and managing director of Dalgety Farmers, director of Dalgety and chairman and managing director of Dalgety Australia Holdings.

*

BIRCHWOOD CONCRETE PRODUCTS, a member of C.H.Beazer (Holdings), has appointed **Mr Pat Moore** to the board as sales and marketing director. He was national sales manager, building materials with Dowmac Concrete.

*

JAMES CAPEL has appointed **Mr Jonathan Custance Baker** managing director of James Capel Unit Trust Management. He was president of GT Global Financial Services Inc.

*

Mr Gerry Connolly has been appointed managing director of UDT BANK, Dublin-based subsidiary of TSB Commercial Holdings, part of the TSB Group. He succeeds **Mr John Bourke** who has been appointed managing director of United Dominions Trust in the UK. Mr Bourke continues as chairman of UDT Bank.

*

Mr Dwight W.Makins has been appointed a director of KING & SHAXSON HOLDINGS. He is a director of Berkeley Govett and managing director of John Govett & Co.

*

Mr Gerald Osborne has been appointed a director of IDC and will be responsible for management and construction. He joins from Laing Management Contracting where he was director of operations.

*

Mr Barry Gadd has been appointed director and chief executive of THE ENGINEERING INDUSTRY TRAINING BOARD.

*

Mr John E. Stuart has been appointed senior vice president, marketing, for AMERICAN EXPRESS TRAVEL RELATED SERVICES in Europe. He was senior vice president and general manager TRS UK and Ireland.

*

Mr Alan Gaynor has been appointed a director of UNDERWOODS. He is managing director of Underwoods retail subsidiary.

*

IBCA BANKING ANALYSIS has appointed **Ms Alison Homer, Mr Charles Prescott and Ms Sheila Garrard** directors. **Ms Maria Bencivenni** has become an associate director.

*

Mr John Bennett, Mr Michael Hume and Mr Jim Martin have been appointed directors of WATKINS SOUTHERN. Mr Bennett is company secretary, Mr Hume chief surveyor and Mr Martin construction manager.

*

The Bank of N.T. Butterfield & Son has appointed **Mr Joseph H. Gibbons** as managing director of its London representative office, N.T. BUTTERFIELD & SON (BERMUDA).

*

TRICITY DOMESTIC APPLIANCES, part of the Electrolux Group, has appointed **Mr Mike Wood** its sales director. He was sales director at Cheseborough-Pond.

*

Mr John Billingham has been appointed director of design and development by MILTON KEYNES DEVELOPMENT COUNCIL. He is director of planning at Oxford City Council.

*

Mr Dominic Dunne has been appointed managing director of CUSTOM LEASING, a wholly-owned subsidiary of Morgan Grenfell & Co.

*

Mr Ian Wallace has been appointed group finance director and company secretary of STANLEY MILLER HOLDINGS. He was a management consultant with Peat Marwick McLintock.

*

Mr John Craven has been appointed works director of WEB GRAPHICS, a subsidiary of Watmoughs Holdings.

*

HENRY ANSBACHER HOLDINGS has appointed **Mr Olivier Michon** as a director. He is a member of the executive board of Banque Internationale a Luxembourg.

*

WHEWAY has appointed **Mr Jim Mundell** chief executive of its United Forgemasters subsidiary.

*

Mr James Smith, founder of CHARTERHALL PROPERTIES, is relinquishing his day to day managerial responsibilities in order to concentrate on site acquisition and development. His successor is **Mr David Stacey**, who was formerly with the Bute Partnership.

*

HARMSWORTH QUAYS PRINTING – the company set up by Mail Newspapers to manage its production plant at Rotherhithe and the editorial headquarters at Kensington – has appointed **Mr Peter Wise** director and general manager at Rotherhithe. In Kensington **Mr Jack Lambert** has become managing director of Harmsworth Publishing; **Mr Rob Nevett** has been made director and general manager, pre press, **Mr Charles Gordon**, director and general manager, technical developments, and **Miss Jean Fairclough**, director and general manager, computer development.

*

PROFESSIONAL & EXECUTIVE RECRUITMENT has appointed **Mr Alan Robinson** as operations director. He was head of marketing, and is succeded **Mr Frank Dolan**, marketing mánager.

*

Mr Mark D. Blundell has joined WESTLB UK, London-based investment banking subsidiary of Westdeutsche Landesbank Girozentrale, as the director in charge of swaps. He was a director of County NatWest and of Citicorp Investment Bank in London.

*

Viscount Weir, chairman of the Weir Group, has been appointed deputy president of BEAMA.

*

Mr John Bishton has joined PRICE WATERHOUSE as a tax partner. He was a senior principal inspector with the Inland Revenue.

*

LEGAL & GENERAL INVESTMENTS has appointed **Mr Mike Payne** as director, investment strategy.

DIARY DATES

PARLIAMENT

TODAY

Commons: Timetable motion on the Education (Reform) Bill. Farmland and Rural Development Bill, second reading. Multilateral Investment Guarantee Agency Bill, remaining stages.

Lords: Local Government Bill, Committee. Norfolk and Suffolk Broads Bill, Committee.

Select committees: Public Accounts - Subject: community care. (Room 16, 4.45pm)

TOMORROW

Commons: Public Utility Transfers and Water Charges Bill, remaining stages. Motion on the Industrial Training levy, (Engineering Board) Order.

Select committees: Transport - subject: decline in the UK registered merchant fleet.(Room 17, 4.14 pm)

Parliamentary Commissioner for Administration - subject: reports of the Health Service Commissioner. (Room 8, 430 pm)

Lords: Local Government Bill, committee. Motion on the UK central council for nursing, midwifery and health visiting (electoral scheme) order.

WEDNESDAY

Commons: Licensing Bill, remaining stages. Welsh Development Agency Bill, remaining stages. Motion on the International Development Association replenishment order.

Lords: Debate calling attention to the world summit on programmes for AIDS prevention and to treatment and prevention in the UK. Debate on progress towards an EEC internal market.

Select committees. Foreign affairs - subject: UK emergency relief for the Horn of Africa. (Room 15,10.30am)

Energy - subject: Report and accounts of the British Coal Corporation. (Room 8,10.45am)

Defence - subject: The Royal Navy's surface fleet: commitments. (Room 16,10.50am)

Employment - subject: the work of the Advisory Conciliation and Arbitration service. (Room 17,4.15pm)

Home affairs - subject: Broadcasting. (Room 14,4.15 pm).

Social services - subject: Resourcing the NHS. (Room 21,4.15pm).

Treasury and Civil service - subject: the Government's expenditure plans 1988-89 and 1990-91. (Room 8,4.30 pm)

THURSDAY

Commons: Debate on the white paper on human fertilisation and embryology

Lords: Legal Aid Bill, report. Motions on employment protection order and unfair dismissals order.

Select committee. Agriculture - subject: storm damage of October 16. (Room 16,10.45am).

FRIDAY

Commons: Private Members Bills.

FINANCIAL

TODAY

COMPANY MEETINGS-
Scottish Inv. Tst., Caledonian Hotel, Princes Street, Edinburgh, 12.15

BOARD MEETINGS-
Finals:
Bullough
Norsk Data
Securiguard Group
Interims:
Marmiter-Swain Group
Shorldplan

DIVIDEND & INTEREST PAYMENTS-
Allied London Properties 10% Cum. Prf. 5p
Amari 6% Cum. Cnv. Red. Prf. 3.9p
American Business Systems 0.8p
Anglo American Corp. of South Africa 6% Cum. Prf. 0.842p
Aquascutum Group 7¼% Cum. Ptg. Prf. 2.625p
Astra SA 15% Gtd. Nts. 1992 £
Atlantic Assets Trust 6% Cum. Prf. 1.75p
Australian Industry Development Corp. 11% Nts. 1989
BBA Group 5% Cum. Prf. 1.75p
BET 3p
Barratt (Henry) 0.7p
Beecham Group 5.5p
CALA 4% Cum. Red. Prf. 1.4p
Chelsea Man 0.5p
Consolidated 4% Ln. 2pc
Continuous Stationery 0.25p
Cooper (Frederick) 1.5p
DAB Inv. 4.5cts.
Dalgety 4.85% Cum. Prf. 2.425p
Daniel & Sons Brewery 4¼% 1st. Perp. Mtg. Deb. 2¼pc
Drayton Cons. Trust 4½% Perp. Deb. 2¼pc
Edinburgh American Assets Tst. 4½% Prf. 1.575p
Electric & General Inv. 7¼% Deb. 1987/91
Exchequer 10% 1989 5pc
F. & C. Alliance Inv. 8% Deb. 1988/93 3pc
First Scottish American Trust 3½% Cum. Prf. 1.75p
Fleming Mercantile Inv. Tst. 3.5% Cum. Prf. 1.75p
Fletcher (C) 1.4p
Foreign & Colonial Inv. Tst. 5% Deb. 1985/90 2½pc
Do. 5¼% Deb. 1987/92 2¾pc
GMAC Overseas Finance 10¼% Nts. 1/2/90
Govett Strategic Inv. Tst. 5% Cum. Prf. 1.75p
Great Ouse Water Authority 5¼% Red. 1986/88 2¾pc
Hawker Siddeley 5¼% Cum. Prf. 1.925p
ICI 5¼% Un. Ln. 1994/2004 2¾pc
Imbico Corpn. 25cts.
Investors Capital Trust 1.45p
Jenners, Princes Street, Edinburgh 10% Cum. Prf. 5p
Johnson, Matthey 2.5p
Law Debenture 3.85% Cum. Prf. 1.925p
Lewis (John) 5% 1st. Cum. Prf. 1.75p
Do. 7% Cum. Prf. 2.45p
Lincoln National Corpn. 55cts.
Manchester Corp. 1951 3% Red. 1941 1½pc
Merchants Trust 4½% Cum. Prf. 1.575p
Metropolitan Water New River 3% Deb. 1½pc
Monks Inv. Tst. 1.2p
Moorgate Inv. Tst. 1.8p
NYNEX Corp. 95cts.
Newcastle & Gateshead Water 4% Cons. Deb. 2pc
Do. 5% Cons. Deb. 2½pc
Do. 8% Red. Deb. 1992/94 4pc
Do. 10% Red. Deb. 1992/94 5pc
Do. 11½% Red. Deb. 2004 5¾pc
Nicor Inc. 45cts.
Pacific Telesis 41cts.
Pegler Central Railway 1st. Mtg. Deb. 2pc
Priest (Benjamin) 0.2p
R.E.A. Hldgs. 1p
Reed Executive 0.5p
Scottish & Newcastle Breweries 7% Cnv. Cum. Prf. 3.5p
Scottish Agricultural Securities 14% Deb. 1993 7pc
Shell 7% 2nd. Prf. 2.45p
Slough Estates 7¾% 1st. Deb. 1985/90 3¾pc
Smurfit (Jefferson) Prf. Currency Units 5.38455p
Southwestern Bell 59cts.
TR Trustees Corp. 1p
Thermal Scientific 1.2p
Thomson Org. 3% 1st. Mtg. Deb. (1964/94) 1½pc
Tinsley (Eliza) 1.15p
Westpool Inv. Tst. 5% Deb. 1985/90 2½pc
Do. 5¼% Deb. 1983/88 2¾pc
Whitbread & Co. 4¼% 3rd. Cum. Prf. 1.575p
Whitbread Inv. 6¼% Deb. 1987/92 3¼pc
Wesrock 3.45p
Do. 4.1% Cum. Prf. 2.05p
Wiatan Inv. 1.05p
Do. 2.7% Cum. Prf. 1.35p
Do. 6¼% Deb. 1990/95 3¼pc

Young & Co's Brewery 4.2% Cum. Prf. 2.1p
Do. 9% Cum. Prf. 4.5p

TOMORROW

BOARD MEETINGS-
Interims:
Dolphin Packaging
Hambro Currency Fund
Howard Hldgs.
Meat Trade Suppliers
Unitech
YRM

DIVIDEND & INTEREST PAYMENTS-
Bassett Foods 2.07p
Brookmount 1.75p
Centrust Savings Bank 25cts.
Do Beers 1 Pfg. 12.5cts.
Do Beers 40% Cum. Prf. (Reg.) 100cts.
Randfontein Estates Gold Mining 300cts.
Walker Greenbank 6½% Cnv. Cum. Red. Prf. 3.25p
Wellcome 2p

WEDNESDAY FEBRUARY 3

COMPANY MEETINGS-
Dewer, Claridges' Hotel, Brook Street, W., 11.00
Tate & Lyle, London Marriott Hotel, Duke Street, Grosvenor Square, W., 11.30

BOARD MEETINGS-
Finals:
Aaronson Bros.
Microsystems Group
Union Discount Co. of London
Interims:
Aerospace Engineering
Bristol Channel Ship Repairers

DIVIDEND & INTEREST PAYMENTS-
Atlas Inv. Tst. 2.5p
Alesco Group 2.5p
Cons. Co. Bultfontein Mine 4.5cts.
Do. Beers 40% Cum. Prf. (Br.) 28.17282p
Do. 5% Cum. 2nd. Prf. 1.12281p
Feedback 1.25p
Gold Fields of South Africa Cnv. Red. Cum. Prf. 39.8675618p
Grindleys Eurofinance Gtd. Fltg. Rate Nts. 1994 $370.84
Griqualand West Diamond Mining 20.5cts.
Hogg Robinson & Gardner Mountain 3p
Tex Hldgs. 1.75p

THURSDAY FEBRUARY 4

COMPANY MEETINGS-
General Whitley, Lord Daresbury Hotel, Daresbury, Warrington, Cheshire, 12.00

BOARD MEETINGS-
Finals:
Baris Laumi (UK)
Interims:
Bailey (C.H.)
Framington Group
Mid Wynd Intl. Inv. Tst.

DIVIDEND & INTEREST PAYMENTS-
American Medical Intl. 18cts.
BTP 2.25p
Bogod-Pelepah 0.1p
Do. A (Restr.Vtg.) 0.2p
British Building & Engineering Appliances 1p
Harris (Philip) 2p
Kleinwort Charter-Pankin Fltg. Rate Cap. Nts. Feb. 1992 $166.47
Monks & Crane 1.2p
New Zealand Fltg. Rate Nts. 2001 $370.56
Schroder Global Trust 2.275p

FRIDAY FEBRUARY 5

COMPANY MEETINGS-
Eldridge, Pope, Dorchester Brewery, Dorchester, Dorset, 12.15
Kynoch (G. & G.), Isla Bank Mills, Keith, 12.00
Radio Clyde, Clydebank Business Park, Clydebank, 3.30
Widney, Plume Street, Birmingham, 12.00

BOARD MEETINGS-
Interims:
Crystal Gold Mines
Kakuzi
Portsmouth & Sunderland Newspapers

DIVIDEND & INTEREST PAYMENTS-
Anglo Leasing 1p
Ballrend 0.5p
Brownridge 0.5p
Eldridge, Pope A (Restr.Vtg.) 4.25p
Electric & General Inv. 0.5p
Greenall Whitley Lim. Vtg. 3.5p
Greene King 2.25p
Havon 3p
Learmonth & Burchett Management 0.5p
London Merchant Securities 0.8p
Pell Corpn. 10cts.
Radio Clyde 2.75p
Tate & Lyle 17p
Vaux Group 5.5p
Viking Packaging Group 2.34p

SATURDAY FEBRUARY 6

DIVIDEND & INTEREST PAYMENTS-
Ectoro 2.5p
ICI 11¼% Un. Ln. 1991/96 5¾pc
Intl. Distillers & Vintners 8¼% Un. Ln. 1987/92 4⅛pc
Smith New Court 2.5p
Sondage, Pope & Co. 7¼% Red. Deb. 1989/94 3¾pc

Trade Fairs and Exhibitions: UK

Current
British International Toy and Hobby Fair.(01-701 7127) (until February 3) — **Earls Court**

February 2-3
Electronics Industry Show (0273 675131) - ELECTRO WEST — **Bristol Exhibition Centre**

February 2-4
London International Safety and Health Exhibition (01 446 8211) — **Novotel**

February 7-11
International Spring Fair - Hardware and Housewares Show (0604 22023) — **NEC, Birmingham**

February 9-10
USM exhibition and conference (01-493 0000) — **Chiswell Street,London**

February 10-12
Energy exhibition (01- 660 8008) — **Harrogate**

February 11-14
Crufts Dog Show (01- 493 7838) — **Earls Court**

February 14-16
International Automotive Parts and Accessories Trade Show - OAUTOPARTAC (01- 855 7777) — **Olympia**

February 17-18
Northern Building Services and Energy Management Show (01-680 7525) — **G-Mex Centre, Manchester**

February 20-28
Boat,Caravan & Leisure Show (021- 236 3366) — **NEC,Birmingham**

February 21-24
International Men's and Boys' Wear Exhibition - IMBEX (01-940 6065) — **Olympia**

February 25-28
Cable and Satellite Exhibition (01-486 1951) — **Wembley Conference Centre**

February 29- March 4
International Electrical and Electronic Exhibition - ELECTREX (0483- 222888) — **NEC,Birmingham**

Overseas Exhibitions

Current
International Green Week (01-930 7251) (until February 7) — **Berlin**

February 4-10
International Toy Fair (01- 460 2235) — **Nuremberg**

February 7-10
Air Transport, Airport Services & Cargo Handling Exhibition - ARAB AIR (01-935 8537) — **Dubai**

February 10-14
Instrumentation and Scientific Control Equipment Exhibition - INSTRUMENTATION TURKEY (01-486 1951) — **Istanbul**

February 20-24
International Trade Fair (Consumer Goods) (01-734 0543) — **Frankfurt**

February 29- March 5
Mechanical Components Exhibition – MECANELEM (01-225 6566) — **Paris**

Business and Management Conferences

February 2
Institute of Directors: Bosses in the dark on computer risks (01-839 1233)
116 Pall Mall, London SW1

February 4
Spectra Retail Concepts: Looking forward at PC based instore systems (0734 794161)
Cafe Royal, London W1

February 8-9
Financial Times Conferences : The European Food and Drink Industry (01- 925 2323)
Hotel Inter-Continental, London

February 9-10
Frost & Sullivan: Fibre optics in communications systems (01-730 3438)
Portman Hotel, London W1

February 10-11
Euromoney: Financial Law (01-236 3288)
Hotel Inter-Continental,London

February 11,12,15
Financial Times City seminar (01-925 2323)
Plaisterers Hall, London EC2

February 11-12
The Biscuit Cake Chocolate & Confectionery Alliance: 35th technology conference (01-631 3434)
Connaught Rooms, London WC2

February 15
Financial Times Confrences: The London Motor Conference – Manufacturing, Components and the Aftermarket (01- 925-2323)
Hotel Inter-Continental,London

February 16
Institute of Directors: Retirement – An outdated concept (01- 839 1233)
116 Pall Mall, London SWI

February 17-18
Financial Times Conferences: Cable television and satellite broadcasting (01-925 2323)
Hotel Inter-Continental,London W1

February 18
Drummonds for Conferences: Finance Direct 88 – Direct Marketing Services for Financial Marketeers (05806 5161)
Marriott Hotel, London, W1

February 22
Legal Studies and Services: Disqualification and personal liability (01-236 4080)
Gloucester Hotel, London SW7

February 24
The Economist: Marketing financial services (01- 839 7000)
Marriott Hotel,London, W1

February 25
CBI Conferences: The defence markets you are missing (01-379 7400)
Centre Point, London

February 29–March 2
Metal Bulletin Conferences: Third Secondary Aluminium Conference (01- 330 4311)
Tara Hotel,London,W8

March 1
Tolley Publishing Company: Timber Trading 88 conference (01-680 5682)
Royal Garden Hotel, London W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published.

Rentals

Company Notices

JAMES CREAN plc
(Registered in Ireland No. 9222)
RIGHTS ISSUE OF 5,712,018
NEW ORDINARY SHARES OF 25p EACH AT
Ir300p (Stg.296p) PER SHARE

NOTICE IS HEREBY GIVEN to persons registered as holders of Ordinary Shares in James Crean plc ("the Company") who have no registered address within the Republic of Ireland and who have not supplied an address to the Company within the Republic of Ireland for the giving of notice to them ("the relevant shareholders") that the following documents being copies of the documents which will be despatched to the shareholders of the Company in connection with and constituting the offer by way of rights ("the issue") of 5,712,018 new Ordinary Shares of Ir25p each in the Company payable in cash as Ir300p (Stg.296p) per share on the basis of one new Ordinary Share for every four Ordinary Shares of Ir25p each held at the close of business on 25th.January, 1988 may be inspected or obtained on personal application by or on behalf of relevant shareholders at Allied Irish Banks plc, 64-66 Coleman Street, LONDON EC2R 7AL during usual business hours on any week day (Saturday and public holidays excepted) up to and including 3 p.m. on 22nd.February, 1988.

(i) The circular letter in connection with the issue addressed to shareholders of the Company dated 30th.January, 1988

and

(ii) The provisional allotment letter in respect of new Ordinary Shares proposed to be provisionally alloted pursuant to the issue.

By Order of the Board
P.J. MEAGHER, Secretary

Registered Office:

2 Wellington Road
Ballsbridge
Dublin 4

1st.February, 1988

Contracts & Tenders

MANCHESTER AIRPORT PLC

Provision of Banking Facilities

Expressions of interest are invited from Clearing Banks who may wish to tender for the provision of banking facilities at Manchester Airport.

The successful tenderer will be appointed for a period of one year, in temporary accommodation to be provided by the tenderer.

At the end of the one year period the Airport Company intends to assess the need for a bank to be sited in permanent facilities at the Airport.

Expressions of interest in the first instance should be addressed to :-

The Administration Manager, Room 711,
Manchester Airport PLC, Manchester M22 5PA
and should be received no later than Monday, 8 February 1988

Egypt

GENERAL ADJUDICATION NO. 2/88
FOR SUPPLY OF EARTH MOVING EQUIPMENT

The Islamic Corporation for import & export announces a tender for supply of earth moving equipment

CLOSING ON THE 9TH FEBRUARY, 1988

The tender documents containing the detailed list and specifications can be obtained in Cairo, Egypt at:-

NATIONAL INDUSTRIAL PROJECTS CO.
11 ORABI STREET (TAWFEKIA),
CAIRO, EGYPT

AGENTS OF COMPETENT INTERNATIONAL COMPANIES ARE INVITED TO SUBMIT THEIR OFFERS ACCOMPANIES WITH A BID BOND OF 1 PER CENT FORM THE TOTAL VALUE.

Clubs

Personal

مكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO
Closing prices January 29

Sales	Stock	High	Low	Close	Chng
928	AMCA Int	$8	7⅞	8	−⅛
5949	Abitibi Pr	$25⅞	25¾	25⅞	+⅛
93625	Agnico E	$17¼	16⅛	16½	−2
20217	Albrta En	$17¾	17⅜	17¾	+⅜
18100	Albrta N	$14⅜	14⅛	14⅛	−⅛
349294	Alcan	$32⅜	31½	32¼	+¼
2774	Algoma St	$14¾	14⅜	14¾	+¼
12974	Asamera	$8⅝	8½	8½	−¼
22535	Atco I f	$10⅛	10	10⅛	+⅛
255509	BCE Inc	$37⅜	37⅛	37¼	+⅛
17310	BC Bancor	75	73	75	
3831	BC Sugar A	$28½	28¼	28½	
13450	BGR A	$10½	10¼	10¼	−½
97440	BP Canada	$18⅛	18	18	
800	Banister C	$8⅝	8⅝	8⅝	+⅛
64685	Bk Montl	$26⅜	26⅛	26⅜	+¼
174625	Bk NScot	$12¾	12½	12¾	+⅛
633	Baton	$13	12⅝	12⅝	−⅜
80161	Bow Valy	$15	14⅝	15	

Sales	Stock	High	Low	Close	Chng
6881	Comput In	170	167	169	
1800	Comterm	58	58	58	+1
12000	Con Bath A	$18	17½	18	+¼
4280	CCarma A	165	160	160	−5
497	Cons Gas	$22⅞	22⅞	22⅞	−¼
6500	CTL Bank	325	315	315	−10
5401	Conwst B	$10⅝	10⅝	10⅝	
1000	Corby	$18	18	18	−½
600	Costain Ltd	$9	9	9	
7000	Coseka R	48	47	48	+4
1100	Crownx	$10	9⅞	9⅞	−⅛
9050	Crownx A f	490	485	485	−5
3500	Czar Res	135	130	130	−5
80600	Denison A p	$5⅛	5	5⅛	
64700	Denison B f	495	485	485	−10
11000	Develcon	155	140	140	−25
15300	Dicknsn A f	$7½	7¼	7¼	−½
450	Dicknsn B	$10	10	10	−½
24140	Dofasco	$25⅞	25⅝	25⅞	
316067	Dome Pete	103	101	102	−1
2417	D Textie	$16	15⅞	16	
32800	Domtar	$13⅛	12⅞	13	+¼
9050	Du Pont A	$28¼	28	28	−¼
17163	Dylex A	$7½	7½	7½	
100	E-L Fin	$45	45	45	
296403	Echo Bay	$23¼	22⅝	22⅝	−1⅛
2800	Emco	$11¾	11½	11½	−½

MONTREAL
Closing prices January 29

OVER-THE-COUNTER
Nasdaq national market, closing prices, January 29

Continued from Page 35

Stock	Sales (Hds)	High	Low	Last	Chng
RgcyCr	5 1106	1 15-32	1 7-16	1 7-16	
RgcyEl	24 1004	3⅝	3½	3⅝	+⅛
RegiBc .08e	8 412	14⅜	14	14¼	
Replgn	107	9½	9	9¼	−¼
RepAm .24	11 78	14½	14⅜	14⅜	−⅛
ReutrH .96e	592	55⅞	55½	55¾	
Rexon	9 374	6	5¾	5⅞	−⅛
RayRy .76	9 757	17¼	16¾	17¼	+½
RnonPl	15	24⅛	d24	24	−½
Rbilm	312	4¾	4½	4⅝	+⅛
RchmHl .10e	786	20⅛	19¾	20⅛	+⅛
SltwPb	11 386	9⅜	9	9⅛	+⅛
SonocPs .52	16 1606	22½	20½	22¼	+1¾
Sonora	178	5⅞	5⅜	5⅜	−⅝
SoundW	15 73	9⅝	9⅜	9⅝	+⅛
SCarNt .56	8 68	19¾	19⅝	19¾	−⅛
Sounet	82 65	14½	14	14	−¼
SohldSv	116	18⅛	18	18⅛	+⅛
Soutrst .88	8 60	18¾	18½	18¾	+⅛
Sovran 1.44	9 1744	34½	33¾	34⅜	+⅝
Spartcs	8 3	6½	6½	6½	−⅜
Standys .92	16 534	u48⅝	46⅛	48⅝	+½
Ungmn	21 2308	7⅝	7¼	7⅝	+¼
Unifi	9 487	17⅝	17⅜	17⅝	+¼
UnPlntr .80	15 641	21¾	21½	21½	
UnSpIC	18 499	22½	22	22½	+¾
UACm .04	39 46	24¾	24½	24¾	
UBCol	27 77	17	16⅞	17	+⅛
UnCosF .55	8 3	18¾	18¼	18¾	+½
UHltCr	561	4⅞	4⅝	4⅝	−¼
UtdSvrs .72	4 631	14⅞	14½	14¾	+⅛
USBcp .80	9 1850	23	22¾	22¾	−⅛
US HltC .16	200 3300	8	7½	8	+½
Xicor	23 1174	7¾	7½	7½	
Xidex	2446	6⅝	6⅜	6⅜	
Xylogic	9 2	9½	9½	9½	
Xyvsn	12 755	4⅞	d 4¼	4½	−⅛
YlowFs .62	20 1021	29	28¼	28⅝	−¼
ZionUt 1.44	129	24¼	23	24¼	−½
Zondvn	123	8½	8¼	8⅜	+⅜
Zycad	78	4	3⅞	3 15-16	−1-16

INDICES

NEW YORK — DOW JONES

	Jan. 29	Jan. 28	Jan. 27	Jan. 26	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
◆Industrials	1958.22	1930.04	1911.14	1920.59	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.61	90.00	89.35	89.01	95.51 (9/2/87)	81.26 (19/10/87)	–	–
Transport	764.29	761.43	746.00	743.43	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	190.02	186.58	183.97	183.50	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 1967.67 (1944.13) Low 1921.09 (1904.34)

STANDARD AND POOR'S	Jan. 29	Jan. 28	Jan. 27	Jan. 26	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	257.07	253.29	249.38	249.57	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	293.70	289.75	285.36	285.38	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.76	22.98	22.71	22.63	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	144.13	142.22	140.23	140.26	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	269.10	267.13	265.61	266.77	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	344.66	342.36	339.80	339.27	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan. 22	Jan. 15	Jan. 8	year ago (approx.)
Dow Industrial Div. Yield	3.64	3.54	3.62	3.19

	Jan. 28	Jan. 21	Jan. 14	year ago (approx.)
S & P Industrial div. yield	3.16	3.23	3.17	2.68
S & P P/E ratio	15.81	15.42	15.69	19.87

TRADING ACTIVITY † Volume

Millions	Jan. 29	Jan. 28	Jan. 27
New York	211.880	167.180	184.829
Amex	9.672	7.698	10.580
OTC	(u)	123.666	113.440

NEW YORK	Jan. 29	Jan. 28	Jan. 27
Issues Traded	1,959	1,949	1,928
Rises	1,052	1,077	819
Falls	465	413	692
Unchanged	442	459	417
New Highs	13	10	(u)
New Lows	19	12	(u)

CANADA

TORONTO	Jan. 29	Jan. 28	Jan. 27	Jan. 26	1987-88 High	1987-88 Low
Metals & Minerals	2363.1	2364.0	2450.0	2456.3	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3057.2	3060.8	3076.7	3069.2	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1533.97	1305.29	1305.06	1525.91	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Tenneco	7,483,500	40¼	+ ⅛
P SVC NH	8,629,500	22¼	+ ¼
Am Elect Power wd	7,070,800	29¾	+ ⅞
Union Carbide	4,099,500	20¼	—
Fed Dept Stores	2,504,800	53⅞	+ 2⅞
AT&T	2,243,400	29⅝	+ ⅛
Merrill Lynch	1,835,200	24	+ ¾
Santa Fe S Pac	1,785,600	44⅞	− 1⅛
IBM xd	1,710,600	112⅞	− 1⅝
Eastman Kodak	1,624,800	43½	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Jan. 29	Jan. 28	Jan. 27	Jan. 26	1987-88 High	1987-88 Low
AUSTRALIA All Ordinaries (1/1/80)	1257.1	1253.0	1269.5	(c)	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	631.0	633.2	660.9	(c)	1462.4 (14/10/87)	586.9 (11/11/87)
AUSTRIA Credit Aktien (30/12/84)	166.14	165.95	167.91	168.29	232.19 (22/9/87)	165.95 (28/1/88)
BELGIUM Brussels SE (1/1/84)	3942.2	3901.3	3893.5	3908.7	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK Copenhagen SE (3/1/83)	185.80	184.75	184.39	184.42	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND Unitas General (1975)	561.1	557.5	554.3	553.5	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE CAC General (31/12/82)	251.3	253.0	254.2	256.2	460.4 (26/3/87)	251.3 (29/1/88)
Ind. Tendance (31/12/87)	89.7	90.5	91.2	92.5	103.7 (6/1/88)	89.7 (29/1/88)
GERMANY FAZ Aktien (31/12/58)	396.40	397.77	405.59	408.68	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1207.9	1212.1	1237.6	1246.9	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG Hang Seng Bank (31/7/64)	2409.66	2412.72	2412.62	2426.05	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY Banca Com. Ital. (1972)	466.48	462.66	462.49	463.13	767.34 (30/4/87)	462.49 (27/1/88)
JAPAN ** Nikkei (16/5/49)	23622.32	23587.25	23335.91	23498.76	26646.43 (14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	1916.75	1912.28	1882.75	1896.95	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS ANP-CBS General (1970)	218.5	215.9	214.7	215.7	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	168.1	166.4	165.8	165.7	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY Oslo SE (4/1/83)	338.31	327.78	333.53	341.25	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE Straits Times Ind. (30/12/66)	908.9	903.7	897.3	907.3	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	1371.0	1396.0	1366.0	2499.0 (3/8/87)	1366.0 (27/1/88)
JSE Industrial (28/9/78)	(u)	1472.0	1475.0	1481.0	2266.0 (16/10/87)	1402.0 (23/11/87)
SPAIN Madrid SE (30/12/85)	249.33	247.92	247.97	250.65	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN Jacobson & P. (31/12/56)	2452.2	2409.3	2389.5	2416.3	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND Swiss Bank Ind. (31/12/58)	479.3	478.7	477.4	477.3	729.7 (5/10/87)	450.9 (10/11/87)
WORLD M.S. Capital Intl. (1/1/70)	(u)	415.6	410.4	412.2	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday January 30: Japan Nikkei 23,719.13. TSE 1,929.50

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia All Ordinary and Metals – 500; (c) Closed.(u) Unavailable.

Closing prices, January 29

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	14	AAR s	.36	2.1	15	144	18⅛	17½	17½	−⅞
32½	21	AFG s	.16	.8	11	120	25	24⅞	24⅞	+⅛
27	10½	AGS s			12	396	15⅛	13⅞	14¼	−½
10½	6¼	AMCA				8	6⅝	6¼	6¼	−¼
9⅜	3¼	AM Intl			40	883	5⅝	5½	5⅝	+⅛
65½	26¾	AMR			11	3309	37¼	35¾	36¾	
12¼	6⅝	ARX s			8	41	7⅝	7½	7⅝	+⅛
73½	39½	ASA	2a	4.4		983	46⅞	45⅜	45⅞	−1⅜
22⅜	8½	AVX			17	220	13⅞	13⅛	13½	−½
67	40	AbtLab	1	2.1	16	4278	48¾	47⅛	48⅜	+1½
28	15⅞	Abitibi g				5	20	20	20	−⅛
16¾	8½	AcmeC .40		3.4		94	12⅝	11½	11¾	
10½	6¾	AcmeE.32b		3.8	23	11	8½	8⅜	8½	+⅛
20	14⅛	AdaEx 3.05e		19.		138	15⅞	15¾	15⅞	+⅜
19½	6⅞	AdamM24		2.4	8	132	9⅞	9⅜	9⅞	+¼
24⅞	7½	AMD				2303	9¾	9½	9⅝	−⅛
56¾	29¼	AMD pf	3	9.1		245	33	33	33	+½
11⅞	4⅝	Adobe				217	6⅝	5¾	6⅝	+½
20½	16¼	Adob pf 1.84		11.		352	17¼	17	17¼	+¼
21⅞	17½	Adob pf 2.40		12.		16	20⅝	20⅛	20⅝	+½
15	6⅛	Advest .12a		1.7	7	229	7¼	7	7	−⅛
68¼	43½	AetnLf 2.76		5.6	7	3357	49¼	47⅞	49¼	+1½
83½	40	AfilPub .40		.7	9	770	55¾	54¾	55½	+1
26⅞	13	Ahmans.88		4.9	9	11298	18⅛	16¾	18⅛	+1⅜
5⅜	1¾	Aileen				18	2	2	2	
53⅞	29	AirPrd	1	2.4	19	1428	41¼	39½	41¼	+2
36	11⅛	AirbFrt .60		4.6	8	914	13⅛	12¾	13⅛	−⅛
16½	6¾	Airgas			18	44	11	10¾	11	+⅛
19½	13½	AirleasE.16e		11.	11	138	19	18¾	18⅞	
15-32	5-16	AlMoan			41	143	13-32	⅜	13-32	+1-32
10¾	7⅜	AlaP dpf.87		9.2		356	9½	9⅜	9½	+⅛
106¼	81½	AlaP pf	9	9.6		z300	93½	93½	93½	−1

Continued on Page 35

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
65	50	Xerox	3	5.5	12	5224	55¼	53⅞	54¼	-¾
58¼	52½	Xerox pf5.45		10.		510	53⅞	53⅝	53⅝	-⅛
31½	19⅛	XTRA	.64	2.3	19	1257	28⅝	28¼	28⅜	+⅜
28¼	19½	XTRA pf1.94		7.8		457	25½	25¼	25½	+⅛
33⅞	17½	Yorkle			10	129	23¼	23	23¼	+¼
7¼	2¼	Zapata				33	2⅝	2½	2½	
37	13½	Zayre	.40	2.5	6	2878	16⅛	15½	15¾	-⅛
16⅛	8¼	Zemex	.40	3.8	14	17	10⅝	10½	10⅝	-⅛
33⅝	10	ZenithE				2081	15⅝	14	15⅝	+1⅜
13½	2½	ZenLab				473	3	2⅞	2⅞	-⅛
25½	13½	ZenNd	.80	4.7	8	59	17¼	17	17⅛	+⅛
20⅜	11⅝	Zero	.36	2.5	15	9	14⅞	14⅝	14⅝	
30¾	15	Zurnin s .88		3.9	15	419	23¼	22¼	22⅞	+¾
10⅝	7⅝	Zweig 1.08e		12.		573	9½	9¼	9⅜	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices January 29

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 29

Continued on Page 33

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling M0 may be set to exceed its target ceiling

BY COLIN MILLHAM

NARROWLY DEFINED M0 money supply is set to break out of its official target range, according to Mr Peter Spencer, UK economist at Credit Suisse First Boston.

February is likely to be the first month of above target money supply, according to Mr Spencer, which could cause problems for Mr Nigel Lawson, the Chancellor. The February figure will be announced on March 18, three days after the Budget.

CSFB's calculations are based on figures published by the Bank of England in its weekly bank return. Mr Spencer points out that M0 growth was depressed at this time last year by very bad weather conditions. This will tend to produce a sharp rise in the year-on-year rate in January this year, which CSFB estimates at 5.7 p.c. The target ceiling is 6 p.c., which will be exceeded in February, according to Mr Spencer.

This is not the first time City economists have suggested M0 will soon move outside its target range, but fears tended to ease after the December money supply figures, which showed a lower than expected M0 rise of 0.9 p.c., bringing the year-on-year rate of increase down to 4.2 p.c., from 4.9 p.c. in November.

Reaction to the US Treasury auctions will be one of this week's main events, and after last week's news on US GNP growth Friday's employment statistics will also be watched carefully.

Most commentators believe the US auctions of 3-year notes tomorrow; 10-year notes Wednesday; and 30-year bonds Thursday will be successful.

This follows speculation that the Federal Reserve will cut interest rates, on recessionary fears resulting from the GNP analysis. Demand for US government debt should also be encouraged by the steady performance of the dollar recently. It has also been suggested the Bank of Japan will put dollars, taken in by intervention on the foreign exchanges, back into the US through bond purchases.

Friday's employment announcement will contain the first important figures for the New Year. GNP growth in the fourth quarter involved a very large rise in stock building. These are goods that have been made, but not sold, which should result in a sharp reversal of growth in the first quarter of this year.

Some economists believe the first quarter GNP figure could even be negative. January employment data will be the first guide of how marked the slow down is likely to be, and are generally regarded as among the more reliable of US statistics.

The most important element will be the level of growth in non-farm payrolls. A rise of less than 100,000 will point towards a marked slow down in industrial activity.

Morgan Grenfell forecasts an increase in non-farm employment of 120,000. James Capel, and Nomura Research Institute, expect 150,000, while Phillips and Drew goes for a higher figure of 250,000. The rise in December was a very strong 326,000.

The only other major US statistical news will be tomorrow's leading indicators for December, but these are now regarded as historic.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
116	5.01	5.50	0.05	1.00
118	3.14	4.24	0.18	1.38
120	1.51	3.12	0.55	2.26
122	0.51	2.16	1.55	3.30
124	0.21	1.34	3.25	4.48
126	0.07	0.62	5.11	6.12
128	0.03	0.43	7.07	7.57
130	0.01	0.26	9.05	9.40

Estimated volume total, Calls 6879 Puts 2828
Previous day's open int: Calls 41170 Puts 25527

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
82	11.34	10.50	0.00	0.14
84	9.34	8.62	0.00	0.26
86	7.36	7.18	0.02	0.46
88	5.42	5.49	0.08	1.13
90	3.54	4.27	0.20	1.55
92	2.13	3.18	0.43	2.46
94	1.02	2.23	1.32	3.51
96	0.30	1.41	2.60	5.05

Estimated volume total, Calls 421 Puts 64
Previous day's open int: Calls 1171 Puts 1209

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Mar	Puts-settlements Feb	Mar
16000	18.48	19.64	0.28	1.44
16500	13.95	15.68	0.75	2.48
17000	9.91	12.17	1.71	3.97
17500	6.55	9.17	3.35	5.97
18000	4.00	6.70	5.80	8.50
18500	2.25	4.75	9.05	11.55
19000	1.16	3.26	12.96	15.06
19500	0.54	2.17	17.34	18.97

Estimated volume total, Calls 0 Puts 10
Previous day's open int: Calls 12 Puts 71

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls Feb	Mar	Apr	Jun	Puts Feb	Mar	Apr	Jun
1.65	12.00	12.00	12.00	12.00	0.00	0.12	0.46	1.19
1.70	7.00	7.25	7.66	8.28	0.06	0.62	1.34	2.48
1.75	2.71	3.69	4.42	5.32	0.82	2.06	3.10	4.52
1.80	0.51	1.47	2.21	3.16	3.62	4.84	5.89	7.36
1.85	0.04	0.44	0.95	1.73	8.15	8.81	9.63	10.93
1.90	0.00	0.10	0.35	0.87	13.11	13.47	14.03	15.07
1.95	0.00	0.02	-	0.40	18.11	18.39	-	19.60

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 317 Puts 587

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Mar	Apr	Jun	Puts Feb	Mar	Apr	Jun
1.60	-	23.90	-	23.80	-	0.30	-	0.50
1.65	-	14.80	-	18.65	-	0.25	-	1.30
1.70	7.95	8.30	8.85	9.35	0.45	1.00	1.75	2.60
1.75	3.20	4.15	4.85	6.10	1.25	2.40	3.40	4.40
1.80	1.00	1.90	2.70	3.90	3.70	5.05	6.05	7.15
1.85	0.35	1.00	1.75	2.35	7.75	8.50	8.90	10.05
1.90	0.30	0.40	0.60	1.05	12.50	12.50	12.90	13.80

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 742 Puts 580

£ IN NEW YORK

Jan.29	Close	Previous Close
£ Spot	1.7655-1.7665	1.7805-1.7815
1 month	0.24-0.22pm	0.23-0.21pm
3 months	0.80-0.77pm	0.65-63pm
12 months	3.20-3.10pm	2.89-2.83pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.29	Previous
8.30 am	74.3	74.5
9.00 am	74.3	74.5
10.00 am	74.3	74.5
11.00 am	74.3	74.4
Noon	74.3	74.4
1.00 pm	74.2	74.4
2.00 pm	74.3	74.4
3.00 pm	74.3	74.4
4.00 pm	74.3	74.4

CURRENCY RATES

Jan.29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.770857	0.696027
U.S Dollar	6	1.37043	1.23127
Canadian $	8.75	1.74935	1.57073
Austrian Sch.	3	16.0793	14.5229
Belgian Franc	6¼	47.7492	43.1592
Danish Krone	7½	8.76184	7.90969
Deutsche Mark	2½	2.28738	2.06534
Neth.Guilder	3¼	2.56544	2.31947
French Franc	9½	7.70045	6.96284
Italian Lira	12½	1685.88	1519.70
Japanese Yen	2½	174.250	157.566
Norway Krone	8	8.70497	7.84936
Spanish Peseta	-	155.133	140.180
Swedish Krona	7½	8.21436	7.41718
Swiss Franc	2½	1.86173	1.68253
Greek Drach.	20½	182.514	164.559
Irish Punt	-	0.85953	0.776828

All SDR rates for January 28

CURRENCY MOVEMENTS

Jan.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	74.3	-19.2
U.S Dollar	93.9	-12.6
Canadian Dollar	N/A	-8.3
Austrian Schilling	N/A	+10.7
Belgian Franc	NA	-4.5
Danish Krone	N/A	+3.0
Deutsche Mark	N/A	+23.2
Swiss Franc	N/A	+26.4
Guilder	N/A	+15.8
French Franc	N/A	-12.8
Lira	N/A	-19.0
Yen	N/A	+80.9

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1975=100) **All Rates for Jan.28

OTHER CURRENCIES

Jan.29	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth.	3 mths.	6 mths.	12 mths.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Fr.	10.010	10.009	10.008	10.007	10.006
Swiss Fr.	2.4200	2.4060	2.3796	2.3447	2.2753
Yen	226.25	225.45	223.73	221.12	215.67

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1592	+1.65	+0.97	±1.5344
Danish Krone	7.85212	7.90969	+0.73	+0.05	±1.5404
German D-Mark	2.05853	2.06534	+0.33	-0.35	±1.0981
French Franc	6.90403	6.96284	+0.85	+0.17	±1.3674
Dutch Guilder	2.31943	2.31947	+0.01	-0.67	±1.5012
Irish Punt	0.768411	0.776828	+1.10	+0.42	±1.6684
Italian Lira	1483.58	1519.70	+2.43	+2.19	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7690-1.7790	1.7695-1.7705	0.26-0.23cpm	1.66	0.82-0.77pm	1.80
Canada	2.2561-2.2627	2.2575-2.2585	0.02dis-0.06pm	0.11	0.12dis-0.01pm	-0.10
Netherlands	3.33-3.34	3.33-3.34	1¼-⅞cpm	4.27	4-3⅝pm	4.42
Belgium	61.84-62.25	62.00-62.10	19-2cpm	2.03	46-25pm	2.29
Denmark	11.35-11.38½	11.36¼-11.37¼	par-1⅞oredis	-0.73	½-2dis	-0.44
Ireland	1.1140-1.1190	1.1165-1.1175	0.02pm-0.03pdis	-0.05	0.17-par	0.30
W. Germany	2.96¼-2.97½	2.96½-2.97½	1½-⅞pfpm	4.80	4⅛-3⅞pm	5.13
Portugal	241.18-242.68	241.20-242.20	103-168cdis	-6.70	298-419dis	-5.19
Spain	201.06-201.89	201.30-201.60	50-79cdis	-3.84	153-202dis	-3.52
Italy	2182¼-2189	2185½-2186½	par-6liredis	-1.65	8-13dis	-2.01
Norway	11.26¼-11.31½	11.27½-11.28½	4½-5½oredis	-5.19	15-16¼dis	-5.52
France	9.99-10.02	10.00½-10.01½	1⅛-⅛cdis	-0.75	1⅞-1¼dis	-0.67
Sweden	10.64¼-10.67½	10.65½-10.66½	⅜-1⅞oredis	-0.84	1⅝-2⅜dis	-0.82
Japan	225¾-226¾	225¾-226¾	1-⅞ypm	3.98	2⅞-2¼pm	4.42
Austria	20.82-20.89	20.85-20.88	7⅛-6gropm	3.77	22¾-20¼pm	4.11
Switzerland	2.41¼-2.42½	2.41½-2.42½	1⅝-1⅛cpm	6.82	4⅛-3⅞pm	6.61

Belgian rate is convertible francs. Financial franc . Six-month forward dollar 1.67-1.62cpm 12 month 3.30-3.20cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7670-1.7790	1.7695-1.7705	0.26-0.23cpm	1.66	0.82-0.77pm	1.80
Ireland†	1.5840-1.5890	1.5850-1.5860	0.11-0.07cpm	0.68	0.34-0.24pm	0.73
Canada	1.2742-1.2765	1.2755-1.2765	0.18-0.20cdis	-1.79	0.53-0.56dis	-1.71
Netherlands	1.8730-1.8845	1.8835-1.8845	0.43-0.40cpm	2.65	1.33-1.30pm	2.80
Belgium	34.85-35.10	35.00-35.10	3dis-par	0.51	8-3dis	0.63
Denmark	6.38½-6.42¾	6.42¼-6.42¾	0.65-1.25oredis	-1.78	2.95-3.55dis	-2.03
W. Germany	1.6660-1.6785	1.6770-1.6780	0.50-0.47pfpm	3.47	1.49-1.44pm	3.50
Portugal	136¾-137½	137¼-137½	80-110cdis	-8.33	230-290dis	-7.60
Spain	113.17-113.90	113.50-113.60	45-60cdis	-5.54	140-160dis	-5.27
Italy	1229-1236	1234¾-1235¼	3.00-4.00liredis	-3.40	10.00-12.00dis	-3.57
Norway	6.34¾-6.37¾	6.37-6.37½	3.40-3.75oredis	-6.74	11.20-11.60dis	-7.16
France	5.61½-5.65¾	5.65¼-5.65¾	0.30-0.45cdis	-0.80	1.55-1.85dis	-1.21
Sweden	5.99¾-6.02½	6.02-6.02½	1.10-1.30oredis	-2.39	3.55-3.85dis	-2.46
Japan	127.10-128.00	127.70-127.80	0.29-0.26ypm	2.58	0.86-0.81pm	2.61
Austria	11.72-11.79½	11.78-11.78½	2.30-2.00gropm	2.19	7.50-6.50pm	2.38
Switzerland	1.3550-1.3680	1.3665-1.3675	0.63-0.58cpm	5.33	1.70-1.65pm	4.92

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.05-35.15.

EURO-CURRENCY INTEREST RATES

Jan.29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅝-8⅛	8⅞-8¾	8⅞-8¾	8⅞-8⅞	9-8⅞	9⅛-9⅛
US Dollar	6⅞-6⅝	6⅝-6⅝	6⅝-6⅝	6⅞-6⅝	7-6⅞	7⅛-7⅛
Can. Dollar	8½-8¼	8½-8¼	8⅞-8⅞	8½-8¼	8⅝-8⅝	8⅞-8⅝
D. Guilder	3⅞-3⅝	3⅞-3⅞	3⅞-3⅞	4-3⅞	4⅛-4	4⅜-4¼
Sw. Franc	N/A	N/A	1⅞-1⅝	1⅞-1⅞	2⅛-2⅛	3-2⅞
Deutschmark	N/A	N/A	3⅛-3	3⅛-3⅛	3⅜-3⅛	3⅝-3½
Fr. Franc	7⅞-7⅛	7⅞-7⅞	7⅞-7⅞	8⅛-8	8⅛-8¼	8⅝-8⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8-7⅞ per cent; three years 8⅛-8⅛ per cent; four years 8⅜-8⅜ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.612	2.853	4.786	364.7	16.13	3.900	5.375	3523	3.639	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

LONDON

CHICAGO

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	1.7490	1.7490	1.7490	1.7607

Estimated volume 17(1)
Previous day's open int. 227(226)

SWISS FRANC (IMM)

	Close	High	Low	Prev.
Mar	0.7346	0.7376	0.7343	0.7428
Jun	0.7426	0.7452	0.7423	0.7509
Sep	0.7506	0.7525	0.7505	0.7587
Dec	0.7591	—	0.7610	0.7675

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Mar	257.00	257.90	252.80	254.50
Jun	254.40	259.30	254.40	255.90
Sep	260.10	260.50	256.30	257.10

MONEY MARKETS

UK current account fears grow

ESTIMATES OF the UK current account deficit for this year appear to be moving upwards. Nomura Research Institute's forecast has been revised up to £4bn from £3.5bn.

Phillips and Drew recently suggested the deficit will be as high as £5.2bn.

Nomura fears a nasty deficit at some time in the first quarter and downward pressure on the exchange rate.

There are some wide variations in forecasts for January UK official reserves, to be published tomorrow. The variations depend on guesses about the level of Bank of England intervention during the month.

UK clearing bank base lending rate 8½ per cent from December 4

Most City economists seem to assume the authorities bought dollars in the early part of the month, as part of co-ordinated central bank intervention, but were fairly relaxed about sterling's decline later in the month.

Phillips and Drew, and Credit Suisse First Boston, believe support for the dollar was substantial and forecast a rise of $1.5bn in reserves.

James Capel believes the intervention was more modest, and expects an underlying rise of $500m. This is in line with most forecasts.

Morgan Grenfell suggests a rise of only $300m, while Kleinwort Grieveson believes there may be an underlying fall of $250m, but adds the authorities were probably relaxed about sterling's slide.

All agree however that the reserves will not rise nearly as much as in December, when the figure was $3.74bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.29) 3 months US dollars		6 months US Dollars	
bid 6⅞	offer 6⅞	bid 6⅞	offer 7

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	3.30	Three year	7.42
Broker loan rate	8.00	Two month	5.35	Four year	7.50
Fed.funds	6⅞	Three month	5.81	Five year	7.80
Fed.funds at intervention	6⅞	Six month	6.29	Seven year	8.05
		One year	6.62	10-year	8.25
		Two year	7.22	30-year	8.42

Jan.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.00-3.10	3.20-3.35	3.25-3.40	3.25-3.40	3.30-3.45	4.50
Paris	7⅛-7¼	7½-7⅞	7⅞-7⅞	8-8⅛	8⅛-8⅛	7.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JANUARY 29 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY JANUARY 28 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	97.81	-0.2	81.92	91.59	4.94	97.97	81.46	91.21	180.81	85.36	101.89
Austria (16)	88.47	-1.1	74.10	76.97	2.72	89.50	74.42	77.49	102.87	85.53	98.38
Belgium (48)	106.60	+0.8	89.29	92.27	5.14	105.74	87.92	91.13	134.89	94.63	106.07
Canada (127)	109.11	+0.1	91.39	100.81	3.17	109.04	90.67	100.83	141.78	98.15	112.02
Denmark (38)	113.94	+0.2	95.44	99.57	2.97	113.68	94.53	98.88	124.83	98.18	123.80
Finland (23)	110.67	+0.2	92.70	94.62	1.80	110.43	91.82	94.02	–	–	–
France (124)	72.77	-1.8	60.95	64.55	4.60	74.13	61.64	65.32	121.82	72.77	111.43
West Germany (94)	67.78	-0.9	56.77	59.11	3.13	68.38	56.86	59.22	104.93	67.78	93.88
Hong Kong (46)	91.69	+0.2	76.80	91.52	5.75	91.49	76.07	91.61	158.68	73.92	100.86
Ireland (14)	113.80	+0.8	95.32	101.14	4.48	112.85	93.84	99.76	160.22	93.50	115.40
Italy (94)	70.83	+0.6	59.33	65.33	2.94	70.39	58.53	64.69	112.11	70.11	102.11
Japan (457)	149.24	-0.2	125.00	120.51	0.58	149.46	124.28	120.13	161.28	100.00	116.44
Malaysia (36)	119.63	+0.4	100.21	117.49	3.18	119.14	99.07	117.21	193.64	93.76	113.43
Mexico (14)	133.63	+2.1	111.93	330.20	1.08	130.92	108.86	321.36	422.59	90.07	114.02
Netherland (37)	97.80	+0.9	81.92	84.10	5.35	96.91	80.58	82.78	131.41	87.70	105.22
New Zealand (24)	72.50	-1.1	60.73	57.72	5.69	73.29	60.94	58.06	138.99	72.00	90.02
Norway (24)	101.08	+2.6	84.67	87.43	3.13	98.55	81.94	84.97	185.01	95.51	109.50
Singapore (26)	105.75	+0.6	88.58	98.32	2.46	105.13	87.41	97.76	174.28	81.21	108.11
South Africa (61)	122.69	-2.0	102.77	77.18	5.40	125.13	104.05	79.87	198.09	100.00	113.64
Spain (43)	136.94	+0.3	114.70	117.80	3.46	136.52	113.51	116.97	168.81	100.00	118.84
Sweden (34)	106.95	+1.5	89.58	95.35	2.62	105.40	87.64	93.62	136.64	88.50	91.53
Switzerland (53)	76.95	-0.2	64.45	65.21	2.55	77.09	64.10	64.81	111.11	73.65	102.26
United Kingdom (329)	130.89	-0.3	109.64	109.64	4.28	131.31	109.18	109.18	162.87	99.65	112.41
USA (588)	104.83	+1.4	87.81	104.83	3.55	103.38	85.96	103.38	137.42	91.21	113.07
Europe (971)	99.64	-0.3	83.46	85.65	3.97	99.91	83.08	85.32	130.02	92.25	106.23
Pacific Basin (682)	145.00	-0.1	121.46	118.20	0.80	145.22	120.75	117.83	158.77	100.00	115.27
Euro-Pacific (1653)	126.88	-0.2	106.27	105.22	1.80	127.11	105.70	104.87	143.65	100.00	111.67
North America (715)	105.05	+1.3	87.99	104.61	3.53	103.68	86.21	103.25	137.55	91.68	113.02
Europe Ex. UK (642)	80.30	-0.2	67.26	70.50	3.67	80.49	66.93	70.26	111.97	78.89	95.87
Pacific Ex. Japan (225)	93.98	+0.0	78.72	88.75	5.07	94.03	78.19	88.59	164.03	82.92	100.65
World Ex. US (1855)	126.23	-0.2	105.73	104.89	1.88	126.48	105.17	104.59	143.38	100.00	111.70
World Ex. UK (2114)	116.67	+0.4	97.72	104.32	2.25	116.19	96.61	103.61	138.82	100.00	112.23
World Ex. So. Af. (2382)	117.89	+0.4	98.75	105.02	2.43	117.48	97.68	104.30	139.47	100.00	112.24
World Ex. Japan (1986)	102.93	+0.7	86.21	96.99	3.75	102.22	85.00	96.12	134.22	92.98	110.25
The World Index (2443)	117.93	+0.3	98.78	104.82	2.45	117.53	97.72	104.13	139.73	100.00	112.24

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

CONSTITUENT CHANGES : Deletions ; MK Electric and Freemans (both UK). Name changes ; Poclain to Case Poclain (France), Guinness Peat Group to GPG (UK), Nippon Shokubai Kag to Japan Catalytic and Konishiroku Photo to Konika (both Japan).